

PIMCO INCOME STRATEGY FUND  
Form PRE 14A  
June 05, 2013

## 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)

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

Payment of Filing Fee (Check the appropriate box):

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(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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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:



, 2013

Dear Shareholder:

The Board of Trustees of each of PIMCO Income Strategy Fund ( PFL ) and PIMCO Income Strategy Fund II ( PFN ) and, together with PFL, each a Fund and, collectively, the Funds ) currently has seven members who were previously elected at the nomination of the Board (the Continuing Trustees ) and one member who was elected in July 2012 by the Fund s preferred shareholders (the Preferred Shareholders ) at the nomination of Brigade Capital Management, LLC and a hedge fund it manages (together, Brigade ).

The Continuing Trustees hope for your support to re-elect the incumbent Trustee nominees for the Funds at their upcoming annual shareholder meeting. The Continuing Trustees believe that, to date, they have worked well together and have a strong history of actively supporting the interests of the Funds and their shareholders.

**Preferred Shareholders:** We have received notice that, at the upcoming annual meeting, Brigade intends to nominate another non-incumbent candidate for preferred share Trustee of PFN, which is a position elected by PFN s preferred shareholders voting as a single class apart from the common shareholders. The Continuing Trustees believe that Brigade s sole motivation in nominating an additional Trustee candidate is to attempt to influence PFN to provide a liquidity event for Brigade and other Preferred Shareholders. **The Continuing Trustees of PFN do not believe such a liquidity event for Brigade and other Preferred Shareholders is in the best interests of the Fund. Thus, they urge you to vote in favor of re-electing PFN s incumbent preferred share Trustee nominee, James A. Jacobson. Please do not return any proxy card sent by Brigade.**

**Common Shareholders:** For common shareholders, the upcoming annual shareholder meeting for the Funds will be similar to previous meetings. As has been the case at previous meetings, you will be asked to vote, together with the preferred shareholders, on the Funds incumbent Trustee nominees. You will **not** be asked to vote for any Brigade nominee.

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The Continuing Trustees thank you for your support of the Funds incumbent Trustee nominees in the past, and we hope for your continued support at the upcoming annual shareholder meeting. If you have any questions about the upcoming meeting, please call a shareholder service representative at 1-800-254-5197.

Sincerely yours,

Hans W. Kertess

*Chairman of the Boards, PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II*

NOTICE OF JOINT ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JULY 31, 2013

**PIMCO INCOME STRATEGY FUND**

**PIMCO INCOME STRATEGY FUND II**

1633 Broadway

New York, New York 10019

To the Shareholders of PIMCO Income Strategy Fund ( PFL ) and PIMCO Income Strategy Fund II ( PFN ) (each a Fund and, collectively, the Funds ):

Notice is hereby given that a Joint Annual Meeting of Shareholders (the Meeting ) of the Funds will be held at the offices of Allianz Global Investors Fund Management LLC ( AGIFM or the Manager ), at 1633 Broadway, between West 50<sup>th</sup> and West 51<sup>st</sup> Streets, 42<sup>nd</sup> Floor, New York, New York 10019, on July 31, 2013 at 10:30 A.M., Eastern Time, for the following purposes, which are more fully described in the accompanying Proxy Statement:

1. To elect Trustees of each Fund, each to hold office for the term indicated and until his or her successor shall have been elected and qualified; and

2. To transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. The Board of Trustees of each Fund has fixed the close of business on May 31, 2013 as the record date for the determination of shareholders entitled to receive notice of the Meeting, and to vote at the Meeting or any adjournment(s) or postponement(s) thereof. The enclosed proxy is being solicited on behalf of the Board of Trustees of each Fund.

By order of the Board of Trustees of each Fund

Thomas J. Fuccillo  
Secretary

New York, New York

, 2013

**It is important that your shares be represented at the Meeting in person or by proxy, no matter how many shares you own. If you do not expect to attend the Meeting, please complete, date, sign and return the applicable enclosed proxy or proxies in the accompanying envelope, which requires no postage if mailed in the United States. Please mark and mail your proxy or proxies promptly in order to save the Funds any additional costs of further proxy solicitations and in order for the Meeting to be held as scheduled.**

**PIMCO INCOME STRATEGY FUND ( PFL )**

**PIMCO INCOME STRATEGY FUND II ( PFN )**

1633 Broadway

New York, New York 10019

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE JOINT**

**ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JULY 31, 2013**

This Proxy Statement and the Annual Reports to Shareholders for the fiscal years ended July 31, 2012 for PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II are also available at [www.allianzgi.com/closedendfunds](http://www.allianzgi.com/closedendfunds).

**PROXY STATEMENT**

**, 2013**

FOR THE JOINT ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JULY 31, 2013

**INTRODUCTION**

This Proxy Statement is furnished in connection with the solicitation by the Boards of Trustees (the Board) of the shareholders of PIMCO Income Strategy Fund ( PFL ) and PIMCO Income Strategy Fund II ( PFN ) (each a Fund and, collectively, the Funds) of proxies to be voted at the Joint Annual Meeting of Shareholders of the Funds and any adjournment(s) or postponement(s) thereof (the Meeting). The Meeting will be held at the offices of Allianz Global Investors Fund Management LLC ( AGIFM or the Manager ), at 1633 Broadway, between West 51<sup>st</sup> Streets, 42<sup>nd</sup> Floor, New York, New York 10019, on July 31, 2013 at 10:30 A.M., Eastern Time.

The Notice of Joint Annual Meeting of Shareholders (the Notice), this Proxy Statement and the enclosed **WHITE** proxy cards are first being sent to Shareholders on or about , 2013.

The Meeting is scheduled as a joint meeting of the holders of common shares of each Fund (the Common Shareholders) and preferred shares of each Fund (the Preferred Shareholders and, together with the Common Shareholders, the Shareholders). The Shareholders of each Fund are expected to consider and vote on similar matters. The Shareholders of each Fund will vote on whether to elect the Funds' nominees for Trustees of the Funds (the Incumbent Nominees) (the Proposal) and on any other matters that may properly be presented for vote by the Shareholders of that Fund. The outcome of voting by shareholders of one Fund does not affect the outcome for the other Fund.

The Board of each Fund has fixed the close of business on May 31, 2013 as the record date (the Record Date) for the determination of Shareholders of each Fund entitled to notice of, and to vote at, the Meeting. The Shareholders of each Fund on the Record Date will be entitled to one vote per share 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 following table sets forth the number of shares of common stock ( Common Shares ) and shares of preferred stock ( Preferred Shares and, together with the Common Shares, the Shares ) issued and outstanding of each Fund at the close of business on the Record Date:

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	<b>Outstanding Common Shares</b>	<b>Outstanding Preferred Shares</b>
PFL	25,124,618	3,159
PFN	58,853,596	6,440

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The classes of Shares listed for each Fund in the table above are the only classes of Shares currently authorized by that Fund.

At the Meeting, the election of one Trustee of PFN will be voted on exclusively by the Preferred Shareholders of that Fund. On each other proposal to be brought before the Meeting (including the election of all Trustee nominees for PFL, and all Trustee nominees for PFN other than the nominee to be elected exclusively by Preferred Shareholders), the Preferred Shareholders will have equal voting rights (*i.e.*, one vote per Share) with the applicable Fund's Common Shareholders and, will vote together with Common Shareholders as a single class.

The Board of Trustees of each Fund currently has eight members, seven of whom were previously elected at the nomination of the Board and qualify as Continuing Trustees (as described below) under the each Fund's Amended and Restated Agreement and Declaration of Trust (together, the Continuing Trustees). The remaining Board member, Neal P. Goldman (the Preferred Shares Nominated Trustee), was elected at the Funds' annual meeting held on July 31, 2012 by the Funds' preferred shareholders at the nomination of Brigade Capital Management, LLC, operating in concert with a hedge fund it manages (collectively, Brigade). Brigade is a significant Preferred Shareholder of each Fund.

For PFN, Brigade has given notice of its intent to nominate and solicit support at the upcoming Meeting for an additional nominee, Alan Bruce Miller (the Brigade Nominee), as a Preferred Shares Trustee for the Board position currently held by Incumbent Nominee and Continuing Trustee James A. Jacobson. Under an indemnification agreement, Brigade has agreed to indemnify Mr. Miller for losses and expenses incurred in connection with its solicitation and his potential service as a trustee.

The Continuing Trustees believe that Brigade is committed to promoting a specific agenda, which the Continuing Trustees believe is not in the best interests of PFN. The Continuing Trustees believe that Brigade's motivation in nominating another Trustee candidate is to attempt to further influence PFN to provide a significant liquidity event for the Preferred Shares purchased by Brigade (along with other Preferred Shares) which may significantly disadvantage the Fund and other PFN shareholders. Based on publicly available information, Brigade purchased Preferred Shares of both Funds in the secondary market at a significant discount to such Shares' liquidation preference/par value when it was well understood in light of public disclosures that there was no functioning auction market for the Preferred Shares and that the Funds were (and continue to be) under no obligation to redeem the Preferred Shares. The liquidation event Brigade seeks would allow it to profit on the difference between the discounted price at which it purchased the Preferred Shares and a higher redemption price.

Pacific Investment Management Company LLC (PIMCO or the Sub-Adviser), each Fund's sub-adviser, regularly examines leverage alternatives for each Fund and presents related information to the Board's consideration as part of its ongoing investment responsibilities. Based on PIMCO's economic and interest rate outlook, PIMCO's concerns about the rollover and refinancing risks inherent in alternative forms of leverage as a result of continued global deleveraging and increased bank regulation and PIMCO's examination of the costs, terms, asset coverage requirements and covenants associated with the leverage alternatives available in the marketplace, PIMCO has consistently advised that maintaining the outstanding Preferred Shares and related leverage continues to be in the best interests of each Fund under then-current market conditions. The Continuing Trustees, based on their review of PIMCO's analysis, have determined that the Funds' use of Preferred Shares continues to be in each Fund's best interest. Neal P. Goldman, the current Preferred Shares Nominated Trustee, who as noted above was originally nominated by Brigade, disagrees with the Continuing Trustees' conclusions in this regard.

In connection with the Board's nomination process for the Meeting, all Continuing Trustees voted in favor of the nominations of all Incumbent Trustees standing for re-election. Neal P. Goldman, the current Preferred Shares Nominated Trustee, who as noted above was originally nominated by Brigade, voted against the nomination of James A. Jacobson as a Preferred Shares Trustee for PFN, and abstained in voting for the nomination of each other Incumbent Nominee for both Funds.

The Continuing Trustees believe that they are experienced and highly qualified fiduciaries who exercise strong fund governance practices. Six of the seven Continuing Trustees are not interested persons (within the meaning of Section 2(a)(19) of the Investment Company Act of 1940, as amended (the 1940 Act)) of the Funds or of the Manager. The Continuing Trustees have significant current and past related industry experience, and have

actively supported the interests of the Funds' shareholders. The Continuing Trustees include individuals with substantial professional accomplishments and prior experience in a variety of fields, as further detailed below. In addition, the Continuing Trustees include a combination of long-tenured and newer members, bringing diverse perspectives to Fund oversight.

**The Continuing Trustees urge that you NOT RETURN any proxy card sent to you by Brigade.**

**PFL:**

The Common and Preferred Shareholders of PFL, voting together as a single class, have the right to vote on the election of James A. Jacobson, and the re-election of John C. Maney and Bradford K. Gallagher as Trustees of the Fund.

**PFN:**

The Common and Preferred Shareholders of PFN, voting together as a single class, have the right to vote on the election of Alan Rappaport and the re-election Bradford K. Gallagher and Deborah A. DeCotis as Trustees of the Fund; the Preferred Shareholders of the Fund, voting as a separate class, have the right to vote on the Fund's proposed re-election of James A. Jacobson (or his proposed replacement by a Brigade nominee) as a Trustee of the Fund.

**Summary**

<b>Fund's Proposal</b>	<b>Common Shareholders</b>	<b>Preferred Shareholders</b>
<b><u>Election of Trustees</u></b>		
<b><u>PFL</u></b>		
<b><u>Independent Trustees/Incumbent Nominees*</u></b>		
Election of James A. Jacobson	ü	ü
Re- Election of Bradford K. Gallagher	ü	ü
<b><u>Interested Trustee /Incumbent Nominee</u></b>		
Re-election of John C. Maney	ü	ü
<b><u>PFN</u></b>		
<b><u>Independent Trustees/Incumbent Nominees*</u></b>		
Election of Alan Rappaport	ü	ü
Re-election of Bradford K. Gallagher	ü	ü
Re-election of Deborah A. DeCotis	ü	ü
Re-election of James A. Jacobson	N/A	ü

\* Independent Trustees or Independent Nominees are those Trustees or nominees who are not interested persons, as defined in the 1940 Act, of each Fund.

Mr. Maney is an interested person of each Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates.

You may vote by mail by returning a properly executed proxy card, by Internet by going to the website listed on the proxy card, by telephone using the toll-free number listed on the proxy card, or in person by attending the 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 Trustees listed in the attached Notice, your proxy will be voted in favor of the election of all of the Incumbent Nominees. At any time

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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, New York 10019, (ii) by properly executing and submitting a later-dated proxy vote, or (iii) by attending the Meeting and voting in person. Please call 1-800-254-5197 for information on how to obtain directions to be able to attend the Meeting and vote in person. If any proposal, other than the Proposals set forth herein, properly comes before the Meeting, the persons named as proxies will vote in their sole discretion.

The principal executive offices of the Funds are located at 1633 Broadway, New York, New York 10019. AGIFM serves as the investment manager of each Fund and retains its affiliate, PIMCO, to serve as the sub-adviser to the Funds. Additional information regarding the Manager and the Sub-Adviser may be found under [Additional Information](#) [Investment Manager](#) and [Sub-Adviser](#) below.

The solicitation will be primarily by mail and the cost of soliciting proxies for a Fund will be borne individually by each Fund. Certain officers of the Funds and certain officers and employees of the Manager or its affiliates (none of whom will receive additional compensation therefor) may solicit proxies by telephone, mail, e-mail and personal interviews. Any out-of-pocket expenses incurred in connection with the solicitation will be borne by each Fund based on its relative net assets.

Unless a Fund receives contrary instructions, only one copy of this Proxy Statement will be mailed to a given address where two or more Shareholders share that address. Additional copies of the Proxy Statement will be delivered promptly upon request. Requests may be sent to the Secretary of the Fund c/o Allianz Global Investors Fund Management LLC, 1633 Broadway, New York, New York 10019, or by calling 1-800-254-5197 on any business day.

As of the Record Date, the Trustees and the Incumbent Nominees and the officers of each Fund as a group and individually beneficially owned less than one percent (1%) of each Fund's outstanding Shares and, to the knowledge of the Funds, the following entities beneficially owned more than five percent (5%) of a class of Shares of a Fund:

Beneficial Owner	Fund	Percentage of Ownership of Class
Bank of America Corporation 100 North Tryon Street, Charlotte, North Carolina 28255	PFL	44.40% of Preferred Shares
Brigade Capital Management, LLC 399 Park Avenue, 16 <sup>th</sup> Floor New York, New York 10022	PFL	32.80% of Preferred Shares
UBS AG Bahnhofstrasse 45, PO Box CH-8021 Zurich, Switzerland	PFL	11.24% of Preferred Shares
Bank of America Corporation 100 North Tryon Street, Charlotte, North Carolina 28255	PFN	29.50% of Preferred Shares
Brigade Capital Management, LLC 399 Park Avenue, 16 <sup>th</sup> Floor New York, New York 10022	PFN	25.10% of Preferred Shares
UBS AG Bahnhofstrasse 45, PO Box CH-8021 Zurich, Switzerland	PFN	22.02% of Preferred Shares

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JMB Capital Partners Master Fund, L.P.	PFN	9.20% of Preferred Shares
1999 Avenue of the Stars, Suite 2040		
Los Angeles, CA 90067		
First Trust Portfolios L.P.	PFN	5.89% of Common Shares
120 East Liberty Drive, Suite 400		
Wheaton, Illinois 60187		

<sup>1</sup> Except for Alan Rappaport, a Trustee of the Funds, who owns 1,500 Common Shares of PFL, none of the other Trustees or Officers of the Funds owned any of such Funds' outstanding Shares.

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**PROPOSAL: ELECTION OF TRUSTEES**

In accordance with each Fund's Amended and Restated Agreement and Declaration of Trust (each a "Declaration"), the Trustees have been divided into the following three classes (each a "Class"): Class I, Class II and Class III. The Nominating Committee has recommended the nominees listed herein for election or re-election by the Shareholders as Trustees to the applicable Funds.

**PFL.** With respect to PFL, the term of office of the Class III Trustees will expire at the Meeting; the term of office of the Class I Trustees will expire at the annual meeting of Shareholders for the 2013-2014 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2013 through July 31, 2014); and the term of office of the Class II Trustees will expire at the annual meeting of Shareholders for the 2014-2015 fiscal year. Currently, John C. Maney and Bradford K. Gallagher are Class III Trustees. In addition, on September 12, 2012, the Board of PFL appointed James A. Jacobson to serve as a Class II Trustee. Accordingly, the Nominating Committee has recommended to the Board that Messrs. Maney and Gallagher be nominated for re-election by the Common Shareholders and Preferred Shareholders, voting as a single class, as Class III Trustees at the Meeting and that Mr. Jacobson be nominated for election by the Common Shareholders and Preferred Shareholders, voting as a single class, as a Class II Trustee at the Meeting. Consistent with the Fund's Declaration, if elected, the nominees shall hold office for terms coinciding with the Classes of Trustees to which they have been designated. Therefore, if elected at the Meeting, Messrs. Maney and Gallagher will serve terms consistent with the Class III Trustees, which will expire at the Fund's annual meeting of Shareholders for the 2015-2016 fiscal year, and, if elected at the Meeting, Mr. Jacobson will serve a term consistent with the Class II Trustees, which will expire at the Fund's annual meeting of Shareholders for the 2014-2015 fiscal year.

**PFN.** With respect to PFN, the term of office of the Class II Trustees will expire at the Meeting; the term of office of the Class III Trustees will expire at the annual meeting of Shareholders for the 2013-2014 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2013 through July 31, 2014); and the term of office of the Class I Trustees will expire at the annual meeting of Shareholders for the 2014-2015 fiscal year. Currently, James A. Jacobson, Bradford K. Gallagher and Deborah A. DeCotis are Class II Trustees. In addition, on September 12, 2012, the Board of PFN appointed Alan Rappaport to serve as a Class I Trustee. Accordingly, the Nominating Committee has recommended to the Board that Mr. Gallagher and Ms. DeCotis be nominated for re-election by the Common and Preferred Shareholders, voting as a single class, as Class II Trustees at the Meeting, that Mr. Jacobson be nominated for re-election by the Preferred Shareholders, voting as a separate class, as a Class II Trustee at the Meeting and that Mr. Rappaport be nominated for election by the Common Shareholders and Preferred Shareholders, voting as a single class, as a Class I Trustee at the Meeting. In addition, Brigade has given notice of its intent to nominate Alan Bruce Miller for election by the Preferred Shareholders, voting as a separate class, as a Class II Trustee at the Meeting, for the seat currently held by Mr. Jacobson. Consistent with the Fund's Declaration, if elected, the nominees shall hold office for terms coinciding with the Classes of Trustees to which they have been designated. Therefore, if elected at the Meeting, Messrs. Jacobson and Gallagher and Ms. DeCotis will serve a term consistent with the Class II Trustees, which will expire at the Fund's annual meeting of Shareholders for the 2015-2016 fiscal year, and, if elected at the Meeting, Mr. Rappaport will serve a term consistent with the Class I Trustees, which will expire at the Fund's annual meeting of Shareholders for the 2014-2015 fiscal year.

All current members of each Board of the Funds, other than the Preferred Shares Nominated Trustee, are and will remain, if elected, Continuing Trustees, as such term is defined in the Declarations of the Funds, such Trustees having either served as Trustee since the inception of the Funds or for thirty-six months, or having been nominated by at least a majority of the Continuing Trustees then members of the Boards. The Preferred Shares Nominated Trustee is not, and the Brigade Nominee, if elected, would not be, a Continuing Trustee. Under each Fund's Declaration, certain actions (such as conversion of a Fund from a closed-end fund to an open-end fund) require the affirmative vote of 75% of the Continuing Trustees.

At any annual meeting of Shareholders, any Trustee elected to fill a vacancy that has arisen since the preceding annual meeting of Shareholders (whether or not such vacancy has been filled by election of a new Trustee by the Board) shall hold office for a term that coincides with the remaining term of the Class of Trustees to which such office was previously assigned, if such vacancy arose other than by an increase in the number of Trustees, and until his or her successor shall be elected and shall qualify. In the event such vacancy arose due to an increase in the number of Trustees, any Trustee so elected to fill such vacancy at an annual meeting shall hold office for a term

which coincides with that of the Class of Trustee to which such office has been apportioned and until his or her successor shall be elected and shall qualify.

The following table summarizes the Incumbent Nominees who will stand for election at the Meeting, the respective Classes of Trustees to which they have been designated and the expiration of their respective terms if elected:

Trustee/Incumbent Nominee	Class	Expiration of Term if Elected <sup>1</sup>
<b>PFL</b>		
John C. Maney	Class III	Annual Meeting for the 2015-2016 Fiscal Year
Bradford K. Gallagher	Class III	Annual Meeting for the 2015-2016 Fiscal Year
James A. Jacobson	Class II	Annual Meeting for the 2014-2015 Fiscal Year
<b>PFN</b>		
Bradford K. Gallagher	Class II	Annual Meeting for the 2015-2016 Fiscal Year
James A. Jacobson	Class II	Annual Meeting for the 2015-2016 Fiscal Year
Alan Rappaport	Class I	Annual Meeting for the 2014-2015 Fiscal Year
Deborah A. DeCotis	Class II	Annual Meeting for the 2015-2016 Fiscal Year

<sup>1</sup> A Trustee of PFL and PFN elected at an annual meeting shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

Under this classified Board structure, generally only those Trustees in a single Class may be replaced in any one year, and it would require a minimum of two years to change a majority of the Board under normal circumstances. This structure, which may be regarded as an anti-takeover provision, may make it more difficult for a Fund's Shareholders to change the majority of Trustees of the Fund and, thus, promotes the continuity of management.

Under each Fund's Bylaws, the Trustees may increase the size of the Board between shareholder meetings and fill a vacancy created by such increase. In the event that the Brigade Nominee is elected to the Board of PFN at the Meeting, and Mr. Jacobson is not re-elected by Preferred Shareholders, the Board may increase the size of the Board to add a Trustee position to be elected by Common and Preferred Shareholders, voting together as a single class, and may determine to appoint Mr. Jacobson to fill the vacancy. In such event, any Trustee added to the Board would be subject to election by Shareholders at the 2013-2014 meeting, regardless of the Class of Trustee to which he or she is assigned.

Unless authority is withheld, it is the intention of the persons named in the enclosed proxy for a Fund to vote each proxy for the persons listed above for that Fund. Each of the Incumbent Nominees has indicated he or she will serve if elected, but if he or she should be unable to serve for a Fund, the proxy holders may vote in favor of such substitute nominee as the Board may designate (or, alternatively, the Board may determine to leave a vacancy).

#### Trustees and Officers

The business of each Fund is managed under the direction of the Fund's Board of Trustees. Subject to the provisions of each Fund's Declaration, its By-Laws and applicable state law, the Trustees have all powers necessary and convenient to carry out this responsibility, including the election and removal of the Fund's officers.

**Board Leadership Structure** Currently and following the Meeting, the Board of Trustees of each Fund consists and will consist of eight Trustees, seven of whom are not interested persons (within the meaning of Section 2(a)(19) of the 1940 Act) of the Fund or of the Manager (the Independent Trustees). An Independent Trustee serves as Chairman of the Trustees and is selected by a vote of the majority of the Independent Trustees. The Chairman presides at meetings of the Board and acts as a liaison with service providers, officers, attorneys and other Trustees generally between meetings, and performs such other functions as may be requested by the Board from time to time.

The Board of Trustees meets regularly four times each year to discuss and consider matters concerning the Funds, and also holds special meetings to address matters arising between regular meetings. The Independent Trustees regularly meet outside the presence of management and are advised by independent legal counsel. Regular meetings generally take place in-person; other meetings may take place in-person or by telephone.



The Board of Trustees has established four standing Committees to facilitate oversight of the management of the Funds: the Audit Oversight Committee, the Nominating Committee, the Valuation Committee and the Compensation Committee. The functions and role of each Committee are described below under Board Committees and Meetings. The membership of each Committee consists of all of the Independent Trustees, which the Board believes allows them to participate in the full range of the Board's oversight duties.

The Board reviews its leadership structure periodically and has determined that this leadership structure, including an Independent Chairman, a supermajority of Independent Trustees and Committee membership limited to Independent Trustees, is appropriate in light of the characteristics and circumstances of each Fund. In reaching this conclusion, the Board considered, among other things, the predominant role of the Manager and Sub-Adviser in the day-to-day management of Fund affairs, the extent to which the work of the Board is conducted through the Committees, the number of portfolios that comprise the Fund Complex (defined below), the variety of asset classes those portfolios include, the net assets of each Fund and the Fund Complex and the management and other service arrangements of each Fund and the Fund Complex. The Board also believes that its structure, including the presence of one Trustee who is an executive with various Manager-affiliated entities, facilitates an efficient flow of information concerning the management of each Fund to the Independent Trustees.

**Risk Oversight** Each of the Funds has retained the Manager and the Sub-Adviser to provide investment advisory services, and, in the case of the Manager, administrative services, and these service providers are principally responsible for the management of risks that may arise from Fund investments and operations. Some employees of the Manager and its affiliates serve as the Funds' officers, including the Funds' principal executive officer and principal financial and accounting officer, chief compliance officer and chief legal officer. The Manager and the Sub-Adviser employ different processes, procedures and controls to identify and manage different types of risks that may affect the Funds. The Board oversees the performance of these functions by the Manager and Sub-Adviser, both directly and through the Committee structure it has established. The Board receives from the Manager and Sub-Adviser a wide range of reports, both on a regular and as-needed basis, relating to the Funds' activities and to the actual and potential risks of the Funds. These include reports on investment risks, custody and valuation of Fund assets, compliance with applicable laws, and the Funds' financial accounting and reporting. In addition, the Board meets periodically with the individual portfolio manager of the Funds or his delegates to receive reports regarding the portfolio management of the Funds and their performance, including their investment risks. The Board has emphasized to the Manager and the Sub-Adviser the importance of maintaining vigorous risk-management programs and procedures.

In addition, the Board has appointed a Chief Compliance Officer ( CCO ). The CCO oversees the development of compliance policies and procedures that are reasonably designed to minimize the risk of violations of the federal securities laws ( Compliance Policies ). The CCO reports directly to the Independent Trustees, interacts with individuals within the Manager's organization, including its Head of Risk Management, and provides presentations to the Board at its quarterly meetings and an annual report on the application of the Compliance Policies. The Board periodically discusses relevant risks affecting the Funds with the CCO at these meetings. The Board has approved the Compliance Policies and reviews the CCO's reports. Further, the Board annually reviews the sufficiency of the Compliance Policies, as well as the appointment and compensation of the CCO.

The Board recognizes that the reports it receives concerning risk management matters are, by their nature, typically summaries of the relevant information. Moreover, the Board recognizes that not all risks that may affect the Funds can be identified in advance; that it may not be practical or cost-effective to eliminate or mitigate certain risks; that it may be necessary to bear certain risks (such as investment-related risks) in seeking to achieve the Funds' investment objectives; and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. As a result of the foregoing and for other reasons, the Board's risk management oversight is subject to substantial limitations.

#### **Information Regarding Trustees and the Incumbent Nominees.**

The following table provides information concerning the Trustees/Incumbent Nominees of the Funds.

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Name, Address*, Year of Birth and Class Independent Trustees/Incumbent Nominees	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of	Other
				Portfolios in Fund Complex Overseen by	Directorships Held by Trustee/ Nominee During the Past 5 Years
Bradford K. Gallagher 1944 PFL Class III PFN Class II	Trustee, Nominee	Since December 2010	Partner, New Technology Ventures Capital Management LLC, a venture capital fund (since 2011); Chairman and Trustee, Atlantic Maritime Heritage Foundation (since 2007); Chairman and Trustee, The Common Fund (since 2005); Founder, Spyglass Investments LLC, a private investment vehicle (since 2001); and Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (since 1995). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2010.	64	Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010)
James A. Jacobson 1945 PFL Class II PFN Class II	Trustee, Nominee	PFL December 2009 July 2012, since September 2012 PFN - Since December 2009	Retired. Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange. Trustee of the funds in the Allianz/PIMCO Fund Complex since 2009.	64	Trustee, Alpine Mutual Funds Complex consisting of 17 funds
Hans W. Kertess 1939 PFL Class I PFN Class III	Chairman of the Board Trustee	PFL - Since inception (August 2003) PFN Since October 2004	President, H. Kertess & Co., a financial advisory company. Formerly, Managing Director, Royal Bank of Canada Capital Markets. Trustee of the funds in the Allianz/PIMCO Fund Complex since 2000.	64	None

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William B. Ogden, IV	Trustee	Since September 2006	Asset Management Industry Consultant. Formerly, Managing Director, Investment Banking Division of Citigroup Global Markets Inc. Trustee of the funds in the Allianz/PIMCO Fund Complex since 2006.	64	None
1945					
PFL	Class I				
PFN	Class I				
Alan Rappaport		PFL - Since June 2010	Advisory Director (since 2012), formerly, Vice Chairman, Roundtable Investment Partners (since 2009); Chairman (formerly President), Private Bank of Bank of America; Vice Chairman, US Trust (2001-2008); Adjunct Professor at the NYU Stern School of Business; Trustee, American Museum of Natural History (since 2005) and Trustee, NYU Langone Medical Center (since 2007). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2010.	64	None
1953		PFN June 2010 July 2012 since September 2012			
PFL	Class I	Trustee			
PFN	Class I	Trustee, Nominee			
Deborah A. DeCotis		Since March 2011	Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Co-Chair Special Projects Committee, Memorial Sloan	64	None
1952					
PFL	Class II	Trustee			

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PFN	Class II	Trustee, Nominee		Kettering (since 2005); Board Member and Member of the Investment and Finance Committees, Henry Street Settlement (since 2007); Trustee, Stanford University (since 2010). Formerly, Director, Helena Rubenstein Foundation (1997-2012); and Advisory Council, Stanford Business School (2002-2008). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2011.		
Neal P. Goldman		Trustee	Since July 2012	Co-Founding Partner, Brigade Capital Management, LLC (from 2007 to 2012). Trustee of PFL and PFN since 2012.	2	None
1969						
PFL	Class II					
PFN	Class I					
<b>Interested Trustee</b>						
John C. Maney**			Since December 2006	Member of the Management Board and a Managing Director of Allianz Global Investors Fund Management LLC; Managing Director of Allianz Asset Management of America L.P. (since January 2005) and a member of the Management Board and Chief Operating Officer of Allianz Asset Management of America L.P. (since November 2006). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2006.	83	None
1959		Trustee, Nominee				
PFL	Class III					
		Trustee				
PFN	Class III					

\* Unless otherwise indicated, the business address of the persons listed above is c/o Allianz Global Investors Fund Management LLC, 1633 Broadway, New York, New York 10019.

\*\* Mr. Maney is an interested person of each Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates.

The following table states the dollar range of equity securities beneficially owned as of the Record Date by the Trustees of each Fund and the Incumbent Nominees and, on an aggregate basis, of any registered investment companies overseen by the Trustees or the Incumbent Nominees in the family of investment companies, including the Funds.

Name of Trustee/Incumbent Nominee	Dollar Range of Equity	Aggregate Dollar Range
	Securities in the Funds*	of Equity Securities in All Registered Investment Companies

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Overseen by

Trustee/Nominee in

the Family of

Investment Companies\*

<b>Independent Trustees/Incumbent Nominees</b>		
Bradford K. Gallagher	None	Over \$100,000
James A. Jacobson	None	Over \$100,000
Hans W. Kertess	None	Over \$100,000
William B. Ogden, IV	None	Over \$100,000
Alan Rappaport	\$10,001-\$50,000 (PFL)	Over \$100,000
Deborah A. DeCotis	None	Over \$100,000
Neal P. Goldman	None	None
<b>Interested Trustee/Incumbent Nominee</b>		
John C. Maney	None	Over \$100,000

\* Securities are valued as of the Record Date.

To the knowledge of the Funds, as of the Record Date, Trustees and the Incumbent Nominees who are Independent Trustees or Independent Nominees and their immediate family members did not own securities of an investment adviser or principal underwriter of the Funds or a person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with an investment adviser or principal underwriter of the Funds.

**Compensation.** Each of the Continuing Trustees also serves as a trustee of PIMCO Municipal Income Fund, PIMCO California Municipal Income Fund, PIMCO New York Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO California Municipal Income Fund II, PIMCO New York Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund III, AllianzGI Convertible & Income Fund, AllianzGI Convertible & Income Fund II, PIMCO Corporate & Income Opportunity Fund, PIMCO High Income Fund, PIMCO Corporate & Income Strategy Fund, AllianzGI NFJ Dividend, Interest & Premium Strategy Fund, AllianzGI International & Premium Strategy Fund, AllianzGI Equity & Convertible Income Fund, AllianzGI Global Equity & Convertible Income Fund, PIMCO Global StocksPLUS & Income Fund, PIMCO Income Opportunity Fund, PCM Fund, Inc., PIMCO Strategic Global Government Fund, Inc., PIMCO Dynamic Income Fund and PIMCO Dynamic Credit Income Fund, each a closed-end fund for which the Manager serves as investment manager and affiliates of the Manager serve as sub-advisers (together, the Allianz Closed-End Funds), as well as AllianzGI Managed Accounts Trust, Allianz Funds Multi-Strategy Trust and Premier Multi-Series VIT (together with the Allianz Closed-End Funds, the Allianz Managed Funds). As indicated below, certain of the officers of the Funds are affiliated with the Manager. Each Continuing Trustee, other than any Continuing Trustee who is a director, officer, partner or employee of the Manager, PIMCO or any entity controlling, controlled by or under common control with the Manager or PIMCO, receives annual compensation of \$250,000 for service on the Boards of all of the Allianz Managed Funds, which is payable quarterly. The Independent Chairman of the Boards receives an additional \$75,000 per year, payable quarterly. The Audit Oversight Committee Chairman receives an additional \$50,000 per year, payable quarterly. Trustees are also reimbursed for meeting-related expenses. Mr. Goldman, who does not serve on the Boards of any of the Allianz Managed Funds other than PFL and PFN, will receive aggregate annual compensation of \$50,000 for service on the Boards of both PFN and PFL for the calendar year ended December 31, 2013, which is payable quarterly.

Each Continuing Trustee's compensation and other costs in connection with joint meetings are allocated among the Allianz Managed Funds, as applicable, on the basis of fixed percentages as between each such group of funds. Trustee compensation and other costs will then be further allocated pro rata among the individual funds within each grouping (such as among the Funds) based on the complexity of issues relating to each such fund and relative time spent by the Trustees in addressing them, and on each such fund's relative net assets. Mr. Goldman's compensation from PFL and PFN is allocated between the two Funds based on relative assets.

Trustees do not currently receive any pension or retirement benefits from the Funds or the Fund Complex.

The following table provides information concerning the compensation paid to the Trustees and the Incumbent Nominees for the fiscal years ended July 31, 2012 for PFL and PFN. For the calendar year ended December 31, 2012, the Trustees received the compensation set forth in the table below for serving as Trustees of the Funds and other funds in the same Fund Complex as the Funds. Each officer and each Trustee who is a director, officer, partner, member or employee of the Manager or the Sub-Adviser, or of any entity controlling, controlled by or under common control with the Manager or the Sub-Adviser, including any Interested Trustee, serves without any compensation from the Funds.