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CAPITAL & INCOME STRATEGIES FUND INC

Form N-Q

May 26, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
INVESTMENT COMPANY

Investment Company Act File number 811-21506

Name of Fund: Capital and Income Strategies Fund, Inc.

Fund Address: P.O. Box 9011  
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive  
Officer, Capital and Income Strategies Fund, Inc., 800 Scudders Mill  
Road, Plainsboro, NJ, 08536. Mailing address: P.O. Box 9011,  
Princeton, NJ, 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 12/31/2006

Date of reporting period: 01/01/06 - 03/31/06

Item 1 - Schedule of Investments

Capital and Income Strategies Fund, Inc.

Schedule of Investments as of March 31, 2006

Preferred Securities

| Industry                | Face<br>Amount | Capital Trusts                                     |
|-------------------------|----------------|--|
| Commercial Banks - 4.3% | \$ 1,000,000   | Dresdner Funding Trust I, 8.151% due 6/30/2031 (a) |
|                         | 2,000,000      | Lloyds TSB Bank Plc, 6.90% (d)                     |
|                         | 3,000,000      | Mizuho JGB Investment LLC, 9.87% (a) (c) (d)       |
|                         | 3,000,000      | SB Treasury Co. LLC, 9.40% (a) (c) (d)             |
|                         | 2,000,000      | Westpac Capital Trust III, 5.819% (a) (c) (d)      |
|                         |                | Total Capital Trusts (Cost - \$11,985,095) - 4.3%  |

|                        | Shares<br>Held | Preferred Stocks                            |
|------------------------|----------------|---|
| Capital Markets - 1.5% | 80,000         | Goldman Sachs Group, Inc. Series A, 3.91%   |
|                        | 40,000         | Lehman Brothers Holdings, Inc., 6.50%       |
|                        | 40,000         | Lehman Brothers Holdings, Inc. Series G, 3% |

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|                                       |         |  |
|---------------------------------------|---------|--|
| Commercial Banks - 4.1%               | 60,000  | Banco Santander Central Hispano SA, 6.41%        |
|                                       | 27,734  | First Republic Bank, 6.25%                       |
|                                       | 1,674   | First Tennessee Bank NA, 3.90% (a)               |
|                                       | 80,000  | HSEC USA, Inc., 3.50%                            |
|                                       | 20,000  | Royal Bank of Scotland Group Plc Series L, 5.75% |
|                                       | 60,000  | Royal Bank of Scotland Group Plc Series N, 6.35% |
|                                       | 2,000   | SG Preferred Capital II, 6.302%                  |
|                                       | 40,000  | US Bancorp Series B, 5.56%                       |
| Diversified Financial Services - 0.5% | 50,000  | CIT Group, Inc. Series A, 6.35%                  |
| Electric Utilities - 4.0%             | 11,109  | Connecticut Light & Power, 5.28%                 |
|                                       | 11,394  | Delmarva Power & Light, 4.20%                    |
|                                       | 11,250  | Delmarva Power & Light, 4.28%                    |
|                                       | 40,000  | Duquesne Light Co., 6.50%                        |
|                                       | 6,800   | Entergy Arkansas, Inc., 6.45%                    |
|                                       | 22,000  | Entergy Louisiana LLC, 6.95% (a)                 |
|                                       | 40,000  | Interstate Power & Light Co. Series B, 8.375%    |
|                                       | 10,000  | Peco Energy Co. Series D, 4.68%                  |
|                                       | 20,000  | Southern California Edison Co., 5.349%           |
| Food Products - 1.5%                  | 2,000   | General Mills, Inc., 4.50%                       |
|                                       | 20      | HJ Heinz Finance Co., 6.226% (a)                 |
| Gas Utilities - 0.3%                  | 35,000  | Southern Union Co., 7.55%                        |
| Insurance - 5.3%                      | 80,000  | ACE Ltd. Series C, 7.80%                         |
|                                       | 80,000  | Aegon NV, 6.375%                                 |
|                                       | 40,000  | Arch Capital Group Ltd., 8%                      |
|                                       | 8,000   | Axis Capital Holdings Ltd., 7.25%                |
|                                       | 48,000  | Endurance Specialty Holdings Ltd., 7.75%         |
|                                       | 30,000  | Genworth Financial, Inc. Series A, 5.25%         |
|                                       | 72,000  | Metlife, Inc. Series B, 6.50%                    |
|                                       | 80,000  | Prudential Plc, 6.75%                            |
|                                       | 2,200   | Zurich RegCaPS Funding Trust, 6.58% (a)          |
| Multi-Utilities - 1.2%                | 80,000  | Pacific Gas & Electric Co. Series A, 6%          |
|                                       | 12,400  | Public Service Electric & Gas Series E, 5.28%    |
| Oil, Gas & Consumable Fuels - 0.7%    | 19,500  | Apache Corp. Series B, 5.68% (f)                 |
| Thrifts & Mortgage Finance - 4.7%     | 45,000  | Fannie Mae, 7%                                   |
|                                       | 25,000  | Fannie Mae Series I, 5.375%                      |
|                                       | 59,350  | Fannie Mae Series L, 5.125%                      |
|                                       | 150,000 | Freddie Mac, 3.93%                               |

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Total Preferred Stocks (Cost - \$63,200,883) - 23.1%

Real Estate Investment Trusts

|   |        |  |
|---|--------|--|
| Real Estate - 0.5%  | 52,000 | Alexandria Real Estate Equities, Inc. Series C, 8.00% due 12/15/2010 (c) |
| Total Real Estate Investment Trusts (Cost - \$1,300,000) - 0.5% |        |  |

Face  
Amount

Trust Preferreds

|                         |              |  |
|-------------------------|--------------|--|
| Commercial Banks - 0.8% | \$ 2,000,000 | ABN AMRO North America Capital Funding Trust I, 6.968% due 9/15/2010 (c) |
|-------------------------|--------------|--|

|                      |           |   |
|----------------------|-----------|---|
| Gas Utilities - 0.4% | 1,000,000 | Southwest Gas Capital II, 7.70% due 9/15/2043 |
|----------------------|-----------|---|

Total Trust Preferreds (Cost - \$3,127,236) - 1.2%

Total Preferred Securities (Cost - \$79,613,214) - 24.3%

Corporate Bonds

|                    |           |   |
|--------------------|-----------|---|
| Automobiles - 0.4% | 1,200,000 | Hyundai Motor Manufacturing Alabama LLC, 5.30% due 12/19/2008 |
|--------------------|-----------|---|

|                  |         |  |
|------------------|---------|--|
| Beverages - 0.1% | 250,000 | Coca-Cola Femsa SA de CV, 8.95% due 11/01/2006 |
|------------------|---------|--|

|                         |         |  |
|-------------------------|---------|--|
| Commercial Banks - 2.6% | 500,000 | Alfa MTN Issuance Ltd., 7.75% due 2/09/2007                                    |
|                         | 750,000 | Banco Nacional de Desenvolvimento Economico e Social, 5.727% due 6/16/2008 (c) |

|  |           |   |
|--|-----------|---|
|  | 450,000   | Bancomext Trust Division, 11.25% due 5/30/2006                |
|  | 1,350,000 | Bangkok Bank Public Co. Ltd. (Hong Kong), 8.75% due 3/15/2007 |

|  |         |   |
|--|---------|---|
|  | 500,000 | Bayerische Hypo - und Vereinsbank AG for MDM Bank, 9.375% due 9/23/2006 |
|--|---------|---|

|  |         |   |
|--|---------|---|
|  | 700,000 | The Export-Import Bank of Korea, 4.25% due 11/27/2008 |
|--|---------|---|

|  |         |                                       |
|--|---------|---------------------------------------|
|  | 750,000 | ICICI Bank Ltd., 4.75% due 10/22/2008 |
|--|---------|---------------------------------------|

|  |         |   |
|--|---------|---|
|  | 465,000 | Korea Development Bank, 7.25% due 5/15/2006 |
|--|---------|---|

|  |         |  |
|--|---------|--|
|  | 575,000 | Korea Development Bank, 5.25% due 11/16/2006 |
|--|---------|--|

|  |           |                                    |
|--|-----------|------------------------------------|
|  | 1,070,000 | Sberbank, 6.38% due 10/24/2006 (c) |
|--|-----------|------------------------------------|

|                                       |           |   |
|---------------------------------------|-----------|---|
| Diversified Financial Services - 1.1% | 900,000   | AC International Finance Ltd., 8.125% due 2/21/2010       |
|                                       | 1,920,000 | Salomon Brothers AG for OAO Gazprom, 9.125% due 4/15/2009 |

|   |           |   |
|---|-----------|---|
| Diversified Telecommunication Services - 1.4% | 750,000   | Empresa Brasileira de Telecom SA Series B, 11% due 11/15/2009 |
|   | 675,000   | Excelcomindo Finance Company BV, 8% due 1/27/2009             |
|   | 1,410,000 | Philippine Long Distance Telephone, 9.25% due 6/30/2009       |
|   | 300,000   | Philippine Long Distance Telephone, 7.85% due 3/01/2009       |
|   | 500,000   | Telefonica de Argentina SA, 9.875% due 7/01/2006              |

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|   |           |   |
|---|-----------|---|
| Independent Power Producers & Energy Traders - 0.1% | 150,000   | Aes Dominicana Energia Finance SA, 11% due 12/13/2011             |
| Metals & Mining - 0.1%                              | 320,000   | Companhia Siderurgica Pa, 7.25% due 11/07/2006                    |
| Oil, Gas & Consumable Fuels - 2.0%                  | 630,000   | Gazprom International SA, 7.201% due 2/01/2020                    |
|   | 750,000   | MEI Euro Finance Ltd., 10% due 3/19/2007                          |
|   | 900,000   | Pemex Project Funding Master Trust, 8.85% due 9/1/2011            |
|   | 300,000   | Pemex Project Funding Master Trust, 6.125% due 8/1/2011           |
|   | 610,000   | Petrobras Energia SA, 9% due 1/30/2007                            |
|   | 175,000   | Petroliaam Nasional Berhad, 7.75% due 8/15/2015                   |
|   | 1,750,000 | YPF SA Series A, 7.75% due 8/27/2007                              |
| Paper & Forest Products - 0.1%                      | 250,000   | SINO-FOREST Corp., 9.125% due 8/17/2011 (a)                       |
| Real Estate - 0.1%                                  | 250,000   | SM Investments Corp., 8% due 10/16/2007                           |
| Wireless Telecommunication Services - 0.8%          | 625,000   | Mobile Telesystems Finance SA, 9.75% due 1/30/2007                |
|   | 1,425,000 | Total Access Communication Public Co. Ltd., 8.375% due 11/04/2006 |

Total Corporate Bonds (Cost - \$23,796,199) - 8.8%

### Foreign Government Obligations

|           |   |
|-----------|---|
| 179,375   | Argentina Government International Bond, 4.889% due 11/15/2016 (a)  |
| 1,376,500 | Argentina Government International Bond, 1.33% due 11/15/2016 (a)   |
| 1,670,000 | Brazilian Government International Bond, 10% due 11/15/2016 (a)     |
| 2,290,000 | Brazilian Government International Bond, 11.50% due 11/15/2016 (a)  |
| 1,540,000 | Brazilian Government International Bond, 10% due 11/15/2016 (a)     |
| 800,000   | Brazilian Government International Bond, 10.50% due 11/15/2016 (a)  |
| 650,000   | Brazilian Government International Bond, 8% due 11/15/2016 (a)      |
| 585,000   | Brazilian Government International Bond, 10.125% due 11/15/2016 (a) |
| 200,000   | Brazilian Government International Bond, 8.25% due 11/15/2016 (a)   |
| 115,000   | Brazilian Government International Bond, 7.125% due 11/15/2016 (a)  |
| 450,000   | Brazilian Government International Bond, 11% due 11/15/2016 (a)     |
| 30,000    | Bulgaria Government International Bond, 8.25% due 11/15/2016 (a)    |
| 1,000,000 | Chile Government International Bond, 5.625% due 11/15/2016 (a)      |
| 110,000   | Chile Government International Bond, 5.50% due 11/15/2016 (a)       |
| 740,000   | Colombia Government International Bond, 10.50% due 11/15/2016 (a)   |
| 1,420,000 | Colombia Government International Bond, 8.625% due 11/15/2016 (a)   |
| 340,000   | Colombia Government International Bond, 10% due 11/15/2016 (a)      |
| 300,000   | Colombia Government International Bond, 11.75% due 11/15/2016 (a)   |
| 138,947   | Dominican Republic International Bond, 9.04% due 11/15/2016 (a)     |
| 965,000   | Indonesia Government International Bond, 7.75% due 11/15/2016 (a)   |
| 325,000   | Indonesia Government International Bond, 7.50% due 1/15/2016 (a)    |
| 1,170,000 | Mexico Government International Bond, 9.875% due 11/15/2016 (a)     |
| 950,000   | Mexico Government International Bond, 8.375% due 11/15/2016 (a)     |
| 375,000   | Mexico Government International Bond, 8.125% due 11/15/2016 (a)     |
| 1,050,000 | Mexico Government International Bond Series A, 6.5% due 3/03/2015   |
| 1,150,000 | Mexico Government International Bond Series A, 6.5% due 9/27/2034   |
| 1,425,000 | Panama Government International Bond, 8.25% due 11/15/2016 (a)      |
| 150,000   | Panama Government International Bond, 7.25% due 11/15/2016 (a)      |

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|           |   |
|-----------|---|
| 435,000   | Panama Government International Bond, 8.875% due  |
| 1,090,000 | Peru Government International Bond, 9.125% due 1/ |
| 135,800   | Peru Government International Bond, 5% due 3/07/2 |
| 240,000   | Peru Government International Bond, 8.75% due 11/ |
| 250,000   | Philippine Government International Bond,         |
|           | 5.625% due 11/19/2006                             |
| 1,700,000 | Philippine Government International Bond, 7.50% d |
| 763,880   | Philippine Government International Bond, 5.438%  |
| 460,000   | Philippine Government International Bond, 8.375%  |
| 180,000   | Philippine Government International Bond,         |
|           | 8.875% due 3/17/2015                              |
| 65,000    | Philippine Government International Bond,         |
|           | 10.625% due 3/16/2025                             |
| 750,000   | Philippine Government International Bond, 9.50% d |
| 230,000   | Philippine Government International Bond, 7.75% d |
| 2,595,000 | Russia Government International Bond, 10% due 6/2 |
| 975,000   | Russia Government International Bond, 11% due 7/2 |
|           | (Regulation S) (g)                                |
| 100,000   | Russia Government International Bond, 12.75% due  |
|           | (Regulation S)                                    |
| 580,000   | Russia Government International Bond, 5% due 3/31 |
| 650,000   | Turkey Government International Bond, 11.375% due |
| 2,080,000 | Turkey Government International Bond, 10% due 9/1 |
| 715,000   | Turkey Government International Bond, 11.50% due  |
| 500,000   | Turkey Government International Bond, 7.375% due  |
| 225,000   | Turkey Government International Bond, 11.875% due |
| 930,000   | Turkey Government International Bond, 6.875% due  |
| 690,753   | Ukraine Government International Bond, 11% due 3/ |
| 50,000    | Ukraine Government International Bond, 7.65% due  |
| 200,000   | Uruguay Government International Bond, 9.25% due  |
| 270,639   | Uruguay Government International Bond, 7.875% due |
| 1,710,000 | Venezuela Government International Bond, 9.125% d |
| 380,920   | Venezuela Government International Bond, 5.563%   |
|           | due 12/18/2007                                    |
| 360,000   | Venezuela Government International Bond, 5.375% d |
| 725,000   | Venezuela Government International Bond, 10.75% d |
| 495,000   | Venezuela Government International Bond, 9.375% d |

Total Foreign Government Obligations  
(Cost - \$44,170,968) - 16.7%

Municipal Bonds

|         |   |
|---------|---|
| 500,000 | Dresdner Bank AG for City of Kiev, 8.75% due 8/08 |
| 450,000 | Dresdner Bank AG for Kyivstar GSM, 10.375% due 8/ |
| 100,000 | Dresdner Bank AG for Kyivstar GSM, 7.75% due 4/27 |
| 793,000 | Santa Fe de Bogota DC, 9.50% due 12/12/2006       |

Total Municipal Bonds  
(Cost - \$1,943,855) - 0.7%

Shares  
Held Common Stocks

Aerospace & Defense - 6.0%

|         |                               |
|---------|-------------------------------|
| 89,200  | Honeywell International, Inc. |
| 33,600  | Lockheed Martin Corp.         |
| 68,200  | Northrop Grumman Corp.        |
| 113,600 | Raytheon Co.                  |

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|  |         |                                       |
|--|---------|---------------------------------------|
| Beverages - 1.1%                                 | 145,800 | Coca-Cola Enterprises, Inc.           |
| Capital Markets - 4.3%                           | 120,000 | The Bank of New York Co., Inc.        |
|  | 116,700 | Morgan Stanley                        |
| Chemicals - 2.0%                                 | 107,200 | E.I. du Pont de Nemours & Co.         |
|  | 13,700  | PPG Industries, Inc.                  |
| Commercial Banks - 4.6%                          | 129,327 | Bank of America Corp.                 |
|  | 103,000 | Wells Fargo & Co.                     |
| Communications<br>Equipment - 0.9%               | 116,600 | Nokia Oyj (f)                         |
| Computers & Peripherals - 4.5%                   | 99,600  | Hewlett-Packard Co.                   |
|  | 73,600  | International Business Machines Corp. |
|  | 528,100 | Sun Microsystems, Inc. (b)            |
| Diversified Financial<br>Services - 5.0%         | 109,190 | Citigroup, Inc.                       |
|  | 196,972 | JPMorgan Chase & Co.                  |
| Diversified Telecommunication<br>Services - 3.7% | 174,600 | AT&T, Inc.                            |
|  | 80,300  | BellSouth Corp.                       |
|  | 70,500  | Verizon Communications, Inc.          |
| Electric Utilities - 2.4%                        | 68,200  | FPL Group, Inc.                       |
|  | 113,300 | The Southern Co.                      |
| Energy Equipment &<br>Services - 3.2%            | 57,100  | BJ Services Co.                       |
|  | 71,700  | GlobalSantaFe Corp.                   |
|  | 31,800  | Halliburton Co.                       |
| Food & Staples Retailing - 0.4%                  | 57,600  | The Kroger Co.                        |
| Food Products - 4.1%                             | 54,600  | ConAgra Foods, Inc.                   |
|  | 90,400  | General Mills, Inc.                   |
|  | 65,200  | Kraft Foods, Inc.                     |
|  | 45,300  | Unilever NV (f)                       |
| Health Care Equipment &<br>Supplies - 1.3%       | 89,100  | Baxter International, Inc.            |

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|   |         |   |
|---|---------|---|
| Hotels, Restaurants & Leisure - 1.1%            | 87,900  | McDonald's Corp.                                |
| Household Durables - 1.0%                       | 80,300  | Koninklijke Philips Electronics NV              |
| Household Products - 1.6%                       | 75,900  | Kimberly-Clark Corp.                            |
| IT Services - 1.0%                              | 397,400 | Unisys Corp. (b)                                |
| Industrial Conglomerates - 3.2%                 | 118,300 | General Electric Co.                            |
|   | 163,200 | Tyco International Ltd.                         |
| Insurance - 6.0%                                | 36,000  | The Allstate Corp.                              |
|   | 59,400  | American International Group, Inc.              |
|   | 106,700 | Genworth Financial, Inc. Class A                |
|   | 24,500  | Hartford Financial Services Group, Inc.         |
|   | 70,500  | The St. Paul Travelers Cos., Inc.               |
|   | 26,400  | XL Capital Ltd. Class A                         |
| Machinery - 1.0%                                | 32,300  | Deere & Co.                                     |
| Media - 5.1%                                    | 117,900 | Comcast Corp. Special Class A (b)               |
|   | 319,100 | Interpublic Group of Cos., Inc. (b)             |
|   | 279,400 | Time Warner, Inc.                               |
|   | 104,300 | Walt Disney Co.                                 |
| Metals & Mining - 1.7%                          | 145,200 | Alcoa, Inc.                                     |
| Multi-Utilities - 2.3%                          | 52,900  | Consolidated Edison, Inc.                       |
|   | 24,600  | Dominion Resources, Inc.                        |
|   | 92,300  | Energy East Corp.                               |
| Office Electronics - 0.6%                       | 99,500  | Xerox Corp. (b)                                 |
| Oil, Gas & Consumable Fuels - 4.0%              | 15,800  | Anadarko Petroleum Corp.                        |
|   | 15,500  | Chevron Corp.                                   |
|   | 135,000 | Exxon Mobil Corp.                               |
| Paper & Forest Products - 1.2%                  | 96,800  | International Paper Co.                         |
| Pharmaceuticals - 5.1%                          | 39,300  | Eli Lilly & Co.                                 |
|   | 61,500  | GlaxoSmithKline Plc (f)                         |
|   | 37,800  | Johnson & Johnson                               |
|   | 133,300 | Pfizer, Inc.                                    |
|   | 145,800 | Schering-Plough Corp.                           |
| Semiconductors & Semiconductor Equipment - 2.6% | 121,300 | Fairchild Semiconductor International, Inc. (b) |
|   | 330,300 | LSI Logic Corp. (b)                             |
|   | 36,400  | Novellus Systems, Inc. (b)                      |

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|                                       |                     |   |
|---------------------------------------|---------------------|---|
| Software - 0.2%                       | 40,700              | Oracle Corp. (b)  |
| Specialty Retail - 1.0%               | 141,200             | The Gap, Inc.   |
|                                       |                     | Total Common Stocks (Cost - \$202,332,693) - 82.2%                    |
|                                       |                     | Warrants  |
| Foreign Government Obligations - 0.0% | 3,000               | Argentina Government International Bond (expires 12/15/2035)          |
|                                       |                     | Total Warrants (Cost - \$13,883) - 0.0%                               |
|                                       | Beneficial Interest | Short-Term Securities   |
|                                       | \$ 4,961,172        | Merrill Lynch Liquidity Series, LLC Cash Sweep Series I, 4.56% (c)(e) |
|                                       |                     | Total Short-Term Securities (Cost - \$4,961,172) -                    |
|                                       |                     | Total Investments (Cost - \$356,831,984*) - 140.0%                    |
|                                       |                     | Liabilities in Excess of Other Assets - (40.0%)                       |
|                                       |                     | Net Assets - 100.0%   |

\* The cost and unrealized appreciation (depreciation) of investments as of March 31, 2006, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 357,026,094 |
|                               | =====          |
| Gross unrealized appreciation | \$ 25,914,904  |
| Gross unrealized depreciation | (6,691,099)    |
|                               | -----          |
| Net unrealized appreciation   | \$ 19,223,805  |
|                               | =====          |

- (a) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (b) Non-income producing security.
- (c) Floating rate note.
- (d) The security is a perpetual bond and has no definite maturity date.
- (e) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate | Net Activity | Interest Income |
|-----------|--------------|-----------------|
|-----------|--------------|-----------------|





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

By: /s/ Robert C. Doll, Jr.  
-----

Robert C. Doll, Jr.  
Chief Executive Officer  
Capital and Income Strategies Fund, Inc.

Date: May 22, 2006

By: /s/ Donald C. Burke  
-----

Donald C. Burke  
Chief Financial Officer  
Capital and Income Strategies Fund, Inc.

Date: May 22, 2006