TCW CONVERTIBLE SECURITIES FUND INC
Form DEF 14A
June 07, 2004

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

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Definitive Proxy Statement
¨ Preliminary Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Rule 14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

TCW CONVERTIBLE SECURITIES FUND, INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

¨ Fee paid previously with preliminary materials:

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

(1) Amount Previously Paid:

---

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

---

(3) Filing Party:

---

(4) Date Filed:

TCW CONVERTIBLE SECURITIES FUND, INC.

865 South Figueroa Street

Los Angeles, California 90017

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on Tuesday, July 13, 2004

Notice is hereby given that the annual meeting of shareholders of TCW Convertible Securities Fund, Inc. (the Fund) will be held at The Los Angeles Marriott Downtown Hotel, 333 South Figueroa Street, Los Angeles, California 90071, Tuesday, July 13, 2004 at 3:00 P.M., Pacific Daylight Time, to consider and vote on the following matters:

1. Election of eight directors to hold office until the next annual meeting of shareholders or until their successors have been duly elected and qualified;

2. Conversion of the Fund to an open-end investment company pursuant to the Fund s Articles of Incorporation, and adoption of an amendment and restatement of the Articles of Incorporation to effectuate the proposal; and

3. Such other matters as may properly come before the meeting or any adjournment or adjournments thereof.

May 28, 2004 has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting, and only holders of Common Stock of record at the close of business on that date will be entitled to vote. To assure your representation at the meeting, please mark, sign and date your proxy card and return it in the envelope provided after reading the accompanying proxy statement.

By Order of the Board of Directors

PHILIP K. HOLL

Secretary

June 7, 2004

It is requested that you promptly execute the enclosed proxy and return it in the enclosed envelope thus enabling the Fund to avoid unnecessary expense and delay. No postage is required if mailed in the United States. The proxy is revocable and will not affect your right to vote in person if you attend the meeting.

TCW CONVERTIBLE SECURITIES FUND, INC.

865 South Figueroa Street

Los Angeles, California 90017

PROXY STATEMENT

The accompanying proxy is solicited by the Board of Directors of TCW Convertible Securities Fund, Inc. (the Fund) in connection with the annual meeting of shareholders to be held on Tuesday, July 13, 2004 at 3:00 P.M., Pacific Daylight Time. Any shareholder executing a proxy has the power to revoke it prior to its exercise by submission of a later proxy, by voting in person, or by letter to the Secretary of the Fund. However, attendance at the meeting, by itself, will not revoke a previously submitted proxy. Unless the proxy is revoked, the shares represented thereby will be voted in accordance with specifications thereon. Proxy solicitation will be principally by mail but may also be by telephone or personal interview conducted by officers and regular employees of TCW Investment Management Company, the Fund s investment adviser (the Adviser) or The Bank of New York, the Fund s transfer agent. The cost of solicitation of proxies will be borne by the Fund, which will reimburse banks, brokerage firms, nominees, fiduciaries and other custodians for reasonable expenses incurred by them in sending the proxy material to beneficial owners of shares of the Fund. This Proxy Statement, Notice of Annual Meeting and proxy card are first being mailed to shareholders on or about June 9, 2004.

The Fund s Common Stock is the only class of outstanding voting securities of the Fund. The record date for determining shareholders entitled to notice of, and to vote at, the meeting has been fixed at the close of business on May 28, 2004, and each shareholder of record at that time is entitled to cast one vote for each share of Common Stock registered in his or her name. At May 28, 2004, 48,609,979 shares of Common Stock were outstanding and entitled to be voted. The Fund s Common Stock does not have cumulative voting rights. At May 28, 2004, as far as known to the Fund, no person owned beneficially more than 5% of the outstanding Common Stock of the Fund.

1. ELECTION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* ALL NOMINEES

At the meeting, eight directors are to be elected to serve until the next annual meeting of shareholders or until their successors have been duly elected and qualified. Unless otherwise instructed, the proxy holders intend to vote proxies received by them for the eight nominees named below. The Board of Directors, including the Directors who are not interested persons of the Fund (as defined in Section 2(a)(10) of the Investment Company Act of 1940 (the Act)), upon the recommendation of the Fund s Nominating Committee which is comprised solely of Directors who are not interested persons of the Fund, have nominated Messrs. Bell, Call, Fong, Gavin, Haden, Parker, Ellison and Sims to serve as directors until the next annual meeting of shareholders or until their successors have been duly elected and qualified. The following schedule sets forth certain information regarding each nominee for election as director. The address of each individual, unless otherwise noted, is c/o TCW Investment Management Company, 865 South Figueroa Street, 18th Floor, Los Angeles, CA 90017.

Independent Directors

Name, Address, Age and Position with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen**	Other Directorships held by Director
Samuel P. Bell (67)* 333 South Hope Street Suite 2660 Los Angeles, CA. 90071 Director	Term: Until 2004 Served since 2002	President, Los Angeles Business Advisors (not-for-profit business advisory organization) since 1996. Previously Mr. Bell served as the Area Managing Partner of Ernst & Young (public accounting firm) for the Pacific Southwest Area.	28	Point 360 (post production services), TCW Galileo Funds, Inc. (mutual fund), TCW Premier Funds (mutual fund).
Richard W. Call (79) Director	Term: Until 2004 Served since 1987	Private Investor. Former President of The Seaver Institute (a private foundation).	28	TCW Galileo Funds, Inc. (mutual fund), TCW Premier Funds (mutual fund).
Matthew K. Fong (50) Strategic Advisory Group 13191 Crossroad Parkway North City of Industry, CA 91746	Term: Until 2004 Served since 2001	President, Strategic Advisory Group, Of Counsel Sheppard, Mullin, Richter & Hamilton (law firm) since 1999. From 1995 to 1998, Mr. Fong served as Treasurer of the State of California.	28	Seismic Warning Systems, Emergent, Inc. (medical equipment), Viata Inc. (home entertainment products), TCW Galileo Funds, Inc. (mutual fund), TCW Premier Funds (mutual fund).
John A. Gavin (73) Director	Term: Until 2004 Served since 2001	Founder and Chairman of Gamma Holdings (international capital consulting firm).	28	Causeway Capital (investment adviser), TCW Galileo Funds, Inc. (mutual fund), Hotchkis and Wiley Funds (mutual fund), TCW Premier Funds (mutual fund).
Patrick C. Haden (51) 300 South Grand Avenue Los Angeles, CA. 90071 Director	Term: Until 2004 Served since 2001	General Partner, Riordan, Lewis & Haden (private equity firm).	28	Elkay Plastics Co., Inc., Financial Pacific Insurance Group, Inc., Indy Mac Mortgage Holdings (mortgage banking), Tetra Tech, Inc. (environmental consulting), Bradshaw International, Inc. (housewares), TCW Galileo Funds, Inc. (mutual fund), TCW Premier Funds (mutual fund).
Charles A. Parker (69) Director	Term: Until 2004 Served since 1988	Private Investor	28	Horace Mann Educators Corp. (insurance corporation), trustee the Burridge Center for Research in Security Prices (University of Colorado), Amerindo Funds (mutual fund), TCW Galileo Funds, Inc. (mutual fund), TCW Premier Funds (mutual fund).

* Mr. Bell has served as President of Los Angeles Business Advisors, a not-for-profit corporation pursuant to section 501(c)(6) of the Internal Revenue Code of 1986, as amended, since September 1996. Mr. Robert A. Day, Chairman of The TCW Group, Inc., the immediate parent company of the Adviser, has been a director of Los Angeles Business Advisors since January 2000.

Interested Directors*

Name, Address, Age and Position with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen	Other Directorships held by Director
Ernest O. Ellison (73) Chairman	Term: Until 2004 Served since 1987	Private Investor, Vice Chairman, Trust Company of the West and The TCW Group, Inc.	1	The TCW Group, Inc.
Robert G. Sims (73) Director	Term: Until 2003 Served since 1991	Private Investor.	1	The TCW Group, Inc.

* Directors who are or may be deemed to be interested persons of the Fund as defined in the Act. Mr. Ellison is the Chairman of the Fund s Board of Directors and is a shareholder and director of The TCW Group, Inc., parent corporation of the Adviser. Mr. Sims is a director of The TCW Group, Inc.

** Fund complex means two or more funds that (i) hold themselves out to investors as related companies for purposes of investment and investor services, or (ii) have a common investment adviser or have an investment adviser that is an affiliated person of the investment adviser of any of the other funds.

Equity Ownership of Directors

The following table sets forth the equity ownership of the directors in the Fund as of April 30, 2004. The code for the dollar range of equity securities owned by the directors is: (a) $1 to $10,000; (b) $10,001 $50,000; (c) $50,001 $100,000; and (d) over $100,000.

Name of Director	Dollar Range of Equity Securities In the Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Director in Family of Investment Companies
Independent Directors		
Samuel P. Bell	None	None
Richard W. Call	(d)	(d)
Matthew K. Fong	None	None
John A. Gavin	None	None
Patrick C. Haden	(b)	(d)
Charles A. Parker	(b)	(b)
Interested Directors		
Ernest O. Ellison	(c)	(c)
Robert G. Sims	(b)	(b)

All nominees have consented to being named in this Proxy Statement and have indicated their intention to serve if elected. Should any nominee for director withdraw or otherwise become unavailable for reasons not presently known, the proxy holders intend to vote for the election of such other person or persons as the Independent Directors may designate.

Fund Committees

The Fund has a standing Nominating Committee and Audit Committee. The Nominating Committee and Audit Committee are composed entirely of Directors who are not interested persons of the Fund within the meaning of the Act and who are independent as defined in the New York Stock Exchange listing standards (Independent Directors).

Nominating Committee

The Fund s Board of Directors has appointed a Nominating Committee. The Nominating Committee makes recommendations to the Board regarding nominations for membership on the Board of Directors. It evaluates candidates qualifications for Board membership and, with respect to nominees for positions as independent directors, their independence from the Fund s investment adviser and other principal service providers. The Nominating Committee periodically reviews director compensation and recommends any appropriate changes to the Board as a group. This Committee also reviews and may make recommendations to the Board relating to those issues that pertain to the effectiveness of the Board in carrying out its responsibilities in governing the Fund and overseeing the management of the Fund. The members of the Fund s Nominating Committee are Messrs. Samuel P. Bell, Richard W. Call, Matthew K. Fong, John A. Gavin, Patrick C. Haden, and Charles A. Parker.

The Nominating Committee will consider potential director candidates recommended by Fund shareholders provided that the proposed candidates satisfy the director qualification requirements provided in the Fund s Directors Nominating and Qualification Charter; are not interested persons of the Fund within the meaning of the 1940 Act; and are independent as defined in the New York Stock Exchange listing standards. Before fiscal year 2004, the Nominating Committee did not have a formal process for the submission of potential candidates by shareholders except as part of a shareholder proposal in accordance with the Securities Exchange Act of 1934, as amended (the 1934 Act). In determining procedures for the submission of potential candidates by shareholders and any eligibility requirements for such nominees and the shareholders submitting the nominations, the Nominating Committee has looked to recent SEC promulgations regarding director nominations for guidance.

For potential director nominees recommended by shareholders, these requirements are as follows:

(a) The nominee may not be the nominating shareholder, a member of a nominating shareholder group, or a member of the immediate family of the nominating shareholder or any member of a nominating shareholder group;

(b) Neither the nominee nor any member of the nominee s immediate family may be currently employed or employed within the last year by any nominating shareholder entity or entity in a nominating shareholder group;

(c) Neither the nominee nor any immediate family member of the nominee is permitted to have accepted directly or indirectly, during the year of the election for which the nominee s name was submitted, during the immediately preceding calendar year, or during the year when the nominee s name was submitted, any consulting, advisory, or other compensatory fee from the nominating shareholder or any member of a nominating shareholder group;

(d) The nominee may not be an executive officer, director (or person performing similar functions) of the nominating shareholder or any member of a nominating shareholder group, or of an affiliate of a nominating shareholder or any such member of a nominating shareholder group;

(e) The nominee may not control (as control is defined in the 1940 Act) the nominating shareholder or any member of a nominating shareholder group (or in the case of a holder or member that is a fund, an interested person of such holder or member as defined by Section 2(a)(19) of the 1940 Act); and

(f) A shareholder or nominating shareholder group may not submit for consideration a nominee who has previously been considered by the Nominating Committee.

The nominating shareholder or shareholder group must meet the following requirements:

(a) Any shareholder or shareholder group submitting a proposed nominee must beneficially own, either individually or in the aggregate, more than 5% of the Fund s securities that are eligible to vote at the time of submission of the nominee and at the time of the annual meeting at which the nominee may be elected. Each of the securities used for purposes of calculating this ownership must have been held continuously for at least two years as of the date of the nomination. In addition, such securities must continue to be held through the date of the meeting. The nominating shareholder or shareholder group must also bear the economic risk of the investment and the securities used for purposes of calculating the ownership cannot be held short ; and

(b) The nominating shareholder or shareholder group must not qualify as an adverse holder (as defined in the Directors Nominating and Qualifications Charter).

A nominating shareholder or shareholder group may not submit more nominees than the number of Board positions open each year. All shareholder recommended nominee submissions must be received by the Fund by February 11, 2005, the deadline for submission of any shareholder proposals which would be included in the Fund s proxy statement for its 2005 Annual Meeting.

Shareholders recommending potential director candidates must substantiate compliance with these requirements at the time of submitting their proposed director candidates to the attention of the Fund s Secretary. Notice to the Fund s Secretary should provide: (i) the shareholder s contact information; (ii) the director candidate s contact information and the number of Fund shares owned by the proposed candidate; (iii) all information regarding the candidate that would be required to be disclosed in solicitations of proxies for elections of directors required by Regulation 14A of the 1934 Act; and (iv) a notarized letter executed by the director candidate, stating his or her intention to serve as a nominee and be named in the Fund s proxy statement, if nominated by the Board of Directors, and to serve as director if so elected.

The Board of Directors has adopted a Directors Nominating and Qualification Charter. The Charter is not available on the Fund s website, but is attached hereto as Appendix A.

The Nominating Committee identifies prospective candidates from any reasonable source and is authorized to engage third-party services for the identification and evaluation of potential nominees. The Fund s Directors Nominating and Qualification Charter provides minimum qualifications for Fund directors which include expertise, experience or relationships that are relevant to the Fund s business, and educational qualifications. The Nominating Committee may recommend that the Board modify these minimum qualifications from time to time. The Nominating Committee meets at least annually to identify and evaluate nominees for director and makes its recommendations to the Board at the time of the Board s April meeting. The standard of the Nominating Committee is to treat all equally qualified nominees in the same manner.

No nominee recommendations have been received from shareholders. The Nominating Committee may modify its policies and procedures for director nominees and recommendations from time to time in response to changes in the Fund s needs and circumstances, and as applicable legal or listing standards change.

Audit Committee

The Fund s Board of Directors has appointed an Audit Committee and has adopted a written charter for the Fund s Audit Committee, a copy of which is attached hereto as Appendix B. The purposes of the Audit Committee are set forth in the Audit Committee Charter. In brief, the role of the Audit Committee is to assist the Board of Directors in its oversight of the Fund s financial reporting process. The members of the Audit Committee are Messrs. Samuel P. Bell, Richard W. Call, Matthew K. Fong, John A. Gavin, Patrick C. Haden, and Charles A. Parker, each of which is an Independent Director of the Fund.

Board and Committee Meetings in Fiscal 2003

During the Fund s fiscal year ended December 31, 2003, the Board of Directors held four regular meetings, one special meeting, three Audit Committee meetings, and one Nominating Committee meeting. Each nominee then in office attended more than 75% of the aggregate of (1) the total number of meetings of the Board of Directors and (2) if a member of the Nominating Committee or Audit Committee, the total number of meetings held by such Committee.

Communications with the Board of Directors

Shareholders may address correspondence to the Board of Directors as a whole or to individual members relating to the Fund to the Fund s Secretary at TCW Convertible Securities Fund, Inc., 865 South Figueroa Street, Los Angeles, CA 90017 and it will be directed to the attention of the addressee.

Director Attendance at Shareholder Meetings

Although the Fund has no formal policy regarding Directors attendance at shareholder meetings, typically, each Director of the Fund attends the Annual Meeting. At the Fund s 2003 annual meeting on July 16, 2003, seven directors were present.

Compensation for Directors

The Fund pays each Independent Director an annual fee of $7,500 plus a per meeting fee of $750 for meetings of the Board of Directors or Committees of the Board of Directors attended by the Director. The Fund also reimburses such Directors for travel and other out-of-pocket expenses incurred by them in connection with attending such meetings. Directors and officers of the Fund who are employed by the Adviser or an affiliated company thereof receive no compensation or expense reimbursement from the Fund.

The following table illustrates the compensation paid to the Fund s Independent Directors for the calendar year ended December 31, 2003 by the Fund and the aggregate compensation paid to the Fund s Independent Directors by the Fund and TCW Galileo Funds, Inc. for the same period. The compensation paid by TCW Galileo Funds, Inc. is included solely because the Adviser also serves as investment adviser to the fund. The Independent Directors do not receive any pension or retirement benefits from the Fund or TCW Galileo Funds, Inc. The Interested Directors are omitted from this table because they receive no compensation from the Fund or TCW Galileo Funds, Inc.

Name of	Aggregate	Aggregate Cash

Independent Director	Compensation from the Fund	Compensation from TCW Galileo Funds, Inc. and the Fund
Samuel P. Bell	$ 12,750	$ 62,250
Richard W. Call	12,750	62,250
Matthew K. Fong	12,750	62,250
John A. Gavin	12,750	62,250
Patrick C. Haden	12,750	62,250
Charles A. Parker	12,750	49,000

Executive Officers of the Fund

The following information relates to the executive officers of the Fund who are not directors of the Fund. The business address of each is 865 South Figueroa Street, Los Angeles, California 90017. Several of such officers own common stock of The TCW Group, Inc., the parent corporation of the Adviser.

Name and Position with the Fund	Principal Occupation During Past Five Years	Age	Officer Since
Alvin R. Albe, Jr. President and Chief Executive Officer	Executive Vice President and Director, Trust Company of the West and TCW Asset Management Company; President and Director, the Adviser; President and Chief Executive Officer, TCW Galileo Funds, Inc. and TCW Premier Funds; Executive Vice President, The TCW Group, Inc.	50	1998
Mohan Kapoor Senior Vice President	Senior Vice President, Trust Company of the West and the Adviser.	36	2003
Thomas E. Larkin, Jr. Senior Vice President	Vice Chairman, The TCW Group, Inc., Trust Company of West, TCW Asset Management Company and the Adviser; Vice Chairman of TCW Galileo Funds, Inc. and TCW Premier Funds.	64	1989
Hilary G. D. Lord Senior Vice President and Assistant Secretary	Managing Director, Chief Compliance Officer and Assistant Secretary, Trust Company of the West, TCW Asset Management Company, and the Adviser; Senior Vice President and Assistant Secretary, TCW Galileo Funds, Inc. and TCW Premier Funds.	47	1988
Thomas D. Lyon Senior Vice President	Managing Director, Trust Company of the West, TCW Asset Management Company and the Adviser.	45	1998
Michael E. Cahill General Counsel and Assistant Secretary	Group Managing Director, General Counsel and Secretary, Trust Company of the West, TCW Asset Management Company and the Adviser; Managing Director, General Counsel and Secretary, The TCW Group, Inc.	53	1992
Philip K. Holl Secretary and Associate General Counsel	Senior Vice President, Associate General Counsel and Assistant Secretary, Trust Company of the West, TCW Asset Management Company and the Adviser; Secretary and Associate General Counsel, TCW Galileo Funds, Inc. and TCW Premier Funds.	54	1994
David S. DeVito Treasurer and Chief Financial Officer	Managing Director and Chief Financial Officer, Trust Company of the West, TCW Asset Management Company and the Adviser; Treasurer and Chief Financial Officer, TCW Galileo Funds, Inc. and TCW Premier Funds.	41	2001

Accounting Matters

The Board of Directors (including a majority of directors who are not interested persons of the Fund as that term is defined in the Act) has selected Deloitte & Touche LLP (Deloitte) as independent auditors for the Fund for the fiscal year ending December 31, 2004. The engagement of such independent auditors is conditioned upon the right of the Fund, by vote of a majority of its outstanding voting securities, to terminate such employment forthwith without any penalty.

7

Audit Committee Report

The Audit Committee of the Board of Directors of the Fund normally meets at least annually during each full fiscal year with the Fund s Chief Financial Officer and representatives of the independent auditors in a separate executive session to discuss and review various matters as contemplated by the Audit Committee Charter. In the performance of its oversight function, the Audit Committee has considered and discussed the audited financial statements with management and the independent auditors of the Fund. The Audit Committee also has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as currently in effect. The Audit Committee also has considered whether the provision by the Fund s independent auditors of non-audit services to the Fund, and of professional services to the Adviser and affiliates of the Adviser that provide services to the Fund, is compatible with maintaining the independent auditors independence. Finally, the Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the independent auditors the independent auditors independence.

The members of the Fund s Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing or evaluating auditor independence. The Board of Directors has determined that Samuel P. Bell, who is an Independent Director, qualifies as an audit committee financial expert, as defined under the Securities and Exchange Commission s Regulation S-K, Item 401(h). The Audit Committee of the Board is in compliance with applicable rules of the listing requirements for closed-end fund audit committees, including the requirement that all members of the audit committee be financially literate and that at least one member of the audit committee have accounting or related financial management expertise, as determined by the Board. Members of the Fund s Audit Committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions referred to above do not assure that the audit of the Fund s financial statements have been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the Fund s auditors are in fact independent.

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee Charter, the Audit Committee recommended to the Board of Directors of the Fund that the audited financial statements of the Fund be included in the Fund s annual report to shareholders for the year ended December 31, 2003. The members of the Audit Committee, Messrs. Bell, Call, Fong, Gavin, Haden, and Parker, are independent within the meaning of the Act and the New York Stock Exchange corporate governance standards for audit committees.

Audit Fees. The aggregate fees paid to Deloitte in connection with the annual audit of the Fund for the fiscal years ended December 31, 2002 and December 31, 2003 were as follows:

Fiscal Year	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2002	$ 34,650	$ 0.00	$ 6,043	$ 0.00
2003	$ 37,275	$ 0.00	$ 5,763	$ 6,400

All of the services described in the table above were approved by the Audit Committee pursuant to its pre-approval policies and procedures which are summarized further below.

No non-audit fees were billed by Deloitte to the Fund s investment adviser. In addition, Deloitte did not provide any non-audit services to any entity controlling, controlled by or under common control with the Fund s investment adviser that provides ongoing services to the Fund.

The Audit Committee pre-approves all audit and non-audit services provided by Deloitte or any independent auditor engaged by the Fund and any non-audit or audit-related services provided to its service affiliates which have an impact on the Fund in accordance with certain pre-approval policies and procedures. The Audit Committee approves the engagement of the auditor for each fiscal year, and a majority of the Fund s Independent Directors approves the engagement. The Audit Committee may pre-approve the provision of types or categories of non-audit services for the Fund and permissible non-audit services for the Fund s service affiliates on an annual basis at the time of the auditor s engagement and on a project-by-project basis. At the time of the annual engagement of the Fund s independent auditor, the Audit Committee receives a list of the categories of expected services with a description and an estimated budget of fees. In its pre-approval, the Audit Committee must determine that the provision of the service is consistent with, and will not impair, the ongoing independence of the auditor and set any limits on fees or other conditions it finds appropriate. Non-audit services may also be approved on a project-by-project basis by the Audit Committee consistent with the same standards for determination and information.

Financial Information Systems Design and Implementation Fees. During the fiscal year ended December 31, 2003, Deloitte did not provide services relating to the design or implementation, and did not directly or indirectly operate or supervise the operation, of financial information systems of the Fund, the Adviser or entities controlling, controlled by or under common control with the Adviser that provide services to the Fund.

The Audit Committee of the Board of Directors has considered the nature of the non-audit services rendered by Deloitte and does not consider them incompatible with Deloitte s independence.

The Fund s Board of Directors, including the Independent Directors, recommends that shareholders vote For the nominees under Proposal 1. Unmarked proxies will be so voted.

2. PROPOSAL PURSUANT TO THE FUND S ARTICLES OF INCORPORATION TO CONVERT THE FUND FROM A CLOSED-END INVESTMENT COMPANY TO AN OPEN-END INVESTMENT COMPANY AND TO ADOPT AN AMENDMENT AND RESTATEMENT OF THE ARTICLES OF INCORPORATION TO EFFECTUATE THE CONVERSION

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *AGAINST* THE PROPOSAL

BACKGROUND OF THE PROPOSAL

The Fund has operated as a closed-end management investment company since it began operations in March 1987. As a closed-end fund, the Fund s shares are bought and sold by shareholders in the securities markets at prevailing prices, which may be equal to, less than, or greater than its net asset value per share. The Fund s Articles of Incorporation provide that, beginning in 1990, if shares of the Fund s Common Stock have traded on the principal securities exchange where listed at an average discount from net asset value of more than 10%, determined on the basis of the discount as of the end of the last trading day in each week during the period of 12 calendar weeks preceding December 31 in any year (the 10% Threshold), the Fund must submit to its shareholders at the next succeeding annual meeting of shareholders a proposal to amend the Fund s Articles of Incorporation to provide that, upon the adoption of such amendment by the holders of two-thirds of the Fund s outstanding shares, the Fund will convert from a closed-end to an open-end investment company (the Conversion Proposal). On the last trading day of each week during the 12 calendar weeks preceding December 31, 2003, the Fund s shares traded at an average discount from net asset value of 11.81%, determined in accordance with the provisions of the Fund s Articles of Incorporation. Accordingly, the Fund is required to submit the Conversion Proposal and the amendments of the Fund s Articles of Incorporation for shareholder consideration.

FOR THE REASONS DISCUSSED BELOW, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS ***VOTE AGAINST THE CONVERSION PROPOSAL*** AND THE ADOPTION OF THE AMENDMENT AND RESTATEMENT OF THE ARTICLES OF INCORPORATION TO EFFECTUATE THE CONVERSION PROPOSAL.

BOARD CONSIDERATION OF THE PROPOSAL

At meetings held on November 12, 2003, February 25, 2004, and April 21, 2004, the Fund s Board of Directors reviewed information respecting the potential advantages and disadvantages of converting to an open-end fund, the Fund s performance to date as a closed-end fund, the historical relationship between the market price of its shares and their net asset value, and the possible effects of conversion on the Fund.

In connection with these deliberations, the Board considered the development of the Fund s premium-discount pattern, including the development of a discount beginning in 2002 following the change in the Fund s quarterly distribution policy from paying $0.21 per share to paying out the Fund s net investment income, which resulted in a distribution of $0.08 per share in January 2003, $0.08 per share in April 2003, $0.06 per share in July 2003, $0.04 per share in October 2003, $0.04 per share in January 2004 and $0.04 per share in April 2004. As announced in a press release dated July 24, 2002, this change of policy was made in recognition of the adverse market conditions facing the convertible securities market and the difficulty of sustaining distributions in light of a broad and sustained decline in market values and interest rates. The decline in interest rates meant that the Fund s pre-2003 distribution policy was not sustainable from the interest and dividends of the Fund s portfolio holdings. In addition, the Fund has accumulated a large tax loss position (a total of approximately $115 million as of December 31, 2003) as a result of the market downturn. The effect of these factors, coupled with applicable provisions of the Internal Revenue Code, means that a portion of the Fund s distributions that is considered a return of capital has a strong likelihood of being deemed a taxable distribution to shareholders. Accordingly, the Board does not believe that it is prudent under current conditions to follow a fixed-distribution policy that involves a return of capital component. This issue arises whether or not the Fund operates as a closed-end or open-end investment company. The Board will continue to review this issue as market conditions and the Fund s tax position changes, and will make decisions as it deems appropriate in the best interests of shareholders.

At the meeting held on April 21, 2004, the Board considered whether or not to recommend to shareholders that the Conversion Proposal be approved, and voted unanimously to recommend that shareholders vote against the Conversion Proposal.

The Board of Directors and the Adviser believe that conversion to an open-end investment company could adversely affect the functioning of the Fund s investment operations and its investment performance, as described below under Impact on Portfolio Management. The Board also believes that conversion could expose the Fund to the risk of a possible loss of economies of scale and an increase in the Fund s expenses as a percentage of net asset value if there is a substantial reduction in its size, among other concerns, as described in Potential Open-End Fund Disadvantages and/or Closed-End Fund Advantages below.

In its consideration of the Conversion Proposal, the Board took into account the fact that conversion would eliminate the possibility of the Fund s shares ever trading at a discount to net asset value and that, if the Fund were open-ended, shareholders could realize the net asset value of their shares by redeeming their shares (although such redemptions may result in a capital gain) to the redeeming shareholders which may be taxable. While the Board noted that during the last trading day 12 calendar weeks preceding December 31, 2003 the Fund s shares traded at an average discount from net asset value of 11.81%, the Board also took note that, from 1990 through and including 2002, the Fund s shares had not traded at an average discount from net asset value in excess of the 10% Threshold. The Board further noted that, notwithstanding the recent discounts from net asset value, the shares have, from January 1, 1988 through December 31, 2003, traded at an average premium (based on an averaging of month-end premiums and discounts) of 2.9%. In general, the Fund s shares have traded at a premium to net asset value during periods of falling interest rates and rising market prices; conversely, the Fund s shares have generally traded at a discount to net asset value during periods of rising interest rates and falling market prices. In addition, the Fund s distribution policies, as describe above, have influenced whether the Fund s shares have traded at a premium or discount.

The graph below reflects the changes in premiums and discounts at which the Fund s shares traded from January 1, 1988 through December 31, 2003, as well as the Fund s average net asset value and average market price during this period, each of which have been calculated based on average month-end figures.

NAV MARKET PREMIUM / (DISCOUNT)

Year	Average Premium /(Discount)	Average NAV	Average Market Price
1988	(9.14)%	$ 8.28	$ 7.52
1989	(7.68)%	8.54	7.89
1990	2.87%	7.55	7.77
1991	4.80%	7.70	8.07
1992	9.22%	8.15	8.91
1993	10.01%	8.85	9.74
1994	9.38%	8.19	8.96
1995	6.25%	8.07	8.57
1996	5.21%	8.64	9.09
1997	3.33%	8.89	9.18

1998	3.17%	9.36	9.66
1999	(3.98)%	10.17	9.77
2000	(9.94)%	11.87	10.69
2001	25.03%	7.39	9.23
2002	18.48%	5.34	6.33
2003	(7.69)%	5.07	4.68

At this time, the Board does not believe that eliminating the possibility of a discount justifies the risk of reduced size, increases in the Fund s expense ratio and the potential adverse effect on its investment operations that conversion would entail. Accordingly, the Board, including each of the Independent Directors, does not believe that conversion of the Fund to an open-end investment company is in the best interests of the Fund and its shareholders.

If the Conversion Proposal is not approved by shareholders, the Fund will continue to operate as a closed-end investment company, and the Board will continue to monitor the market discount from net asset value, if any, at which the Fund s shares trade, and will consider whether any other action should be taken with respect to such discount. The Board will continue to consider, as it has in the past, repurchases of the Fund s shares on the open market or tender offers to the Fund s shareholders when the shares are trading at a discount from net asset value. In this regard, the Fund completed its most recent open market share repurchase program in the fourth quarter of 2003. The Fund cannot predict whether any open market repurchases or tender offer purchases of its shares made while the Fund is a closed-end investment company would decrease the discount from net asset value. To the extent that the average discount from net asset value is decreased below the 10% Threshold for a fiscal year because of open market repurchases or tender offer purchases or otherwise, the Fund would not be required to submit to its shareholders the Conversion Proposal with respect to any such fiscal year.

If the Fund s shares continue to trade at an average discount from net asset value in excess of the 10% Threshold in any future fiscal year as determined in accordance with the Fund s Articles of Incorporation, the Board of Directors and the Fund s shareholders will have the opportunity to consider converting the Fund to an open-end fund. Pursuant to the Articles of Incorporation, a subsequent Conversion Proposal with respect to such fiscal year will be submitted to shareholders for their consideration.

Certain of the factors considered by the Board in making its recommendation are discussed in greater detail below.

ADVANTAGES AND DISADVANTAGES OF THE CONVERSION PROPOSAL

The Fund is currently a closed-end fund. As such, it does not redeem its outstanding shares or engage in the continuous sale of new shares, and thus the Fund operates with a relatively fixed capitalization. The Fund s shares are principally traded on the New York Stock Exchange (the NYSE) at prevailing market prices, which may be equal to, less than or more than net asset value. By contrast, open-end funds, commonly referred to as mutual funds, issue redeemable securities with respect to which, traditionally, no secondary trading market has been permitted to develop. Except during periods when the NYSE is closed or trading thereon is restricted, or when redemptions may otherwise be suspended in an emergency as permitted by the Act, the holders of these redeemable securities have the right to surrender them to the mutual fund and obtain in return their proportionate shares of the fund s net asset value per share at the time of redemption (less any redemption fee charged by the fund or contingent deferred sales charge imposed by the fund s distributor). In addition, most mutual funds continuously offer new shares to investors at a price based upon the shares net asset value per share at the time of issuance.

POTENTIAL OPEN-END FUND ADVANTAGES AND/OR CLOSED-END FUND DISADVANTAGES

(1) REDEEMABILITY OF SHARES; ELIMINATION OF DISCOUNT. Shareholders of an open-end fund have the right to redeem their shares at any time (except in certain circumstances as authorized by the Act, at the net asset value per share of such shares (less any applicable redemption or contingent deferred sales charges). The ability to obtain net asset value per share for their shares will constitute an immediate benefit to

shareholders of the Fund to the extent that shares are trading at a discount to net asset value. While shareholders in a closed-end fund generally pay a brokerage commission when they buy or sell the closed-end fund shares on a stock exchange, shareholders in open-end funds do not incur brokerage commission when they purchase or redeem their shares, although redemption fees and/or contingent deferred sales charges may apply. Contingent deferred sales charges would only be applicable to new shares sold by the Fund after conversion to open-end status.