

TCW STRATEGIC INCOME FUND INC
Form DEF 14A
August 18, 2006

SCHEDULE 14A INFORMATION

(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

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 Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

TCW STRATEGIC INCOME FUND, INC.

(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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(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:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

TCW STRATEGIC INCOME FUND, INC.

865 South Figueroa Street

Los Angeles, California 90017

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on Tuesday, September 26, 2006

Notice is hereby given that the annual meeting of shareholders of TCW Strategic Income Fund, Inc. (the Fund) will be held at the Sheraton Los Angeles Downtown Hotel, 711 South Hope Street, Los Angeles, California 90017, Tuesday, September 26, 2006 at 9:30 A.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 annual meeting or any adjournments or postponements thereof.

August 4, 2006 has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual 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 annual 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

August 18, 2006

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. In addition to voting by mail you may also vote by telephone by calling the toll-free number that appears on the enclosed proxy card materials. The proxy is revocable and will not affect your right to vote in person if you attend the annual meeting.

TCW STRATEGIC INCOME FUND, INC.

865 South Figueroa Street

Los Angeles, California 90017

PROXY STATEMENT

The accompanying proxy is solicited by the Board of Directors (the Board of Directors or the Board) of TCW Strategic Income Fund, Inc. (the Fund) in connection with the annual meeting of shareholders (the Annual Meeting) to be held on Tuesday, September 26, 2006 at 9:30 A.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 Annual 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. In addition, proxy solicitation may be conducted by Georgeson Shareholder Communications Inc., which will be paid approximately \$7,500 and will be reimbursed for its related expenses. The cost of solicitation of proxies will be borne by the Fund, including reimbursement of 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 August 23, 2006.

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 Annual Meeting has been fixed at the close of business on Friday, August 4, 2006, 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 August 4, 2006, 47,609,979 shares of Common Stock were outstanding and entitled to be voted. The Fund's Common Stock does not have cumulative voting rights. At August 4, 2006, 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 Annual Meeting, eight directors (the "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 ("Independent Directors"), 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 Independent Directors, has nominated Messrs. Bell, Call, Fong, Gavin, Haden, Parker, Albe and Sonneborn 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, including their ages, their addresses, their positions with the Fund, their term of office and length of time served as Director, their principal occupations during the past five years (their titles may have varied during the period), the total number of separate portfolios in the fund complex the nominees would oversee if elected, and certain other board memberships they hold.

Independent Director Nominees

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 (69) c/o Paul, Hastings, Janofsky & Walker LLP, Counsel to the Independent Directors 515 South Flower Street Los Angeles, CA 90071 Director	Term: Until 2006 Served since 2002	Private Investor. Former President, Los Angeles Business Advisors (not-for-profit business organization). Prior to 1996, Mr. Bell served as the Area Managing Partner of Ernst & Young (public accounting firm) for the Pacific Southwest Area.	24	Point 360 (post production services), Broadway National Bank (banking) and TCW Funds, Inc. (mutual fund with 23 series).
Richard W. Call (81) 905 Hillcrest Place Pasadena, CA 91106	Term: Until 2006 Served since 1987	Private Investor. Former President of The Seaver Institute (a private foundation).	24	TCW Funds, Inc. (mutual fund with 23 series).

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Director

Matthew K. Fong (52)

Term: Until
2006

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.

24

Seismic Warning Systems, Inc.
and TCW Funds, Inc. (mutual
fund with 23 series).

556 South Fair Oaks Avenue

Served since
2001

Pasadena, CA 91105

Director

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
John A. Gavin (75) c/o Paul, Hastings, Janofsky & Walker LLP, Counsel to the Independent Directors 515 South Flower Street Los Angeles, CA 90071 Director	Term: Until 2006 Served since 2001	Founder and Chairman of Gamma Holdings (international capital consulting firm).	24	Causeway Capital Management Trust (mutual fund with 1 series), TCW Funds, Inc. (mutual fund with 23 series) and Hotchkis and Wiley Funds (mutual fund with 5 series).
Patrick C. Haden (53) 10900 Wilshire Boulevard Los Angeles, CA 90024 Chairman of the Board	Term: Until 2006 Served since 2001	General Partner, Riordan, Lewis & Haden (private equity firm).	24	Indy Mac Mortgage Holdings (mortgage banking), Tetra Tech, Inc. (environmental consulting) and TCW Funds, Inc. (mutual fund with 23 series).
Charles A. Parker (72) c/o Paul, Hastings, Janofsky & Walker LLP, Counsel to the Independent Directors 515 South Flower Street Los Angeles, CA 90071 Director	Term: Until 2006 Served since 1988	Private Investor.	24	Horace Mann Educators Corp. (insurance corporation), trustee of the Burrige Center for Research in Security Prices (University of Colorado) and TCW Funds, Inc. (mutual fund with 23 series).

* 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.

Interested Director Nominees*

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
Alvin R. Albe, Jr. (53) 865 S. Figueroa Street Los Angeles, CA 90017 President and Chief Executive Officer	N/A	President, Chief Executive Officer, and a Director, the Adviser; Executive Vice President and a Director of TCW Asset Management Company and Trust Company of the West; Executive Vice President, The TCW Group, Inc.; President and Chief Executive Officer, TCW Funds, Inc.	1	Syntroleum Corporation (developer of gas-to-liquids and coal-to-liquids technology).
William C. Sonneborn (36) 865 S. Figueroa Street Los Angeles, CA 90017 None	N/A	Vice Chairman, the Adviser and TCW Asset Management Company; President, Chief Operating Officer, and a Director, TCW Group, Inc.; President, Chief Operating Officer and a Director, Trust Company of the West.	1	None.

* Directors who are or may be deemed to be interested persons of the Fund as defined in the Act. Mr. Albe is President, Chief Executive Officer and a director of the Adviser. Mr. Sonneborn is Vice-Chairman of the Adviser.

** 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.

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.

Ownership of Securities

The information as to ownership of securities which appears below is based on statements furnished to the Fund by Directors, nominees and executive officers. Since January 1, 2005, none of the Directors or nominees purchased or sold securities exceeding 1% of the securities of any class of the Adviser or its parent companies, or subsidiaries of either. As of June 30, 2006, none of the Independent Directors or their immediate family members owned any shares of the Adviser or any person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with, the Adviser.

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The following table sets forth the number of shares of Common Stock beneficially owned as of June 30, 2006 by each Director and executive officer and by Directors and executive officers as a group. Directors and executive officers who did not own shares of Common Stock as of June 30, 2006 are not listed.

Name of Beneficial Owner	Amount and Nature of	
	Beneficial Ownership*	Percent of Class**
Alvin R. Albe, Jr.	212,370	***
Ernest O. Ellison	11,095	***
Richard W. Call	13,450	***
Jeffrey E. Gundlach	286,350	***
Patrick C. Haden	16,100	***
Thomas D. Lyon	44,525	***
Charles A. Parker	3,073	***
Robert G. Sims	3,600	***
All Directors and executive officers as a group	590,563	1.24%

* Each beneficial owner holds sole voting and investment power with respect to amounts shown.

** Based on 47,609,979 shares of Common Stock outstanding as of June 30, 2006.

*** Indicates less than one percent.

The following table sets forth the equity ownership of nominees in the Fund as of June 30, 2006. The code for the dollar range of equity securities owned by nominees is: (a) \$1 to \$10,000; (b) \$10,001 - \$50,000; (c) \$50,001 - \$100,000; and (d) over \$100,000.

Name of Nominee	Dollar Range of	Aggregate Dollar Range of
	Equity Securities	Equity Securities in Family of
	In the Fund	Investment Companies
Independent Director Nominees		
Samuel P. Bell	None	(c)
Richard W. Call	(c)	(d)
Matthew K. Fong	None	(d)
John A. Gavin	None	(c)
Patrick C. Haden	(c)	(d)
Charles A. Parker	(b)	(c)
Interested Director Nominees		
Alvin R. Albe, Jr.	(d)	(d)
William C. Sonneborn	None	(d)

Fund Committees

The Fund has a standing Nominating Committee, Audit Committee and Executive Committee. The Nominating Committee and Audit Committee are composed entirely of Independent Directors who are also independent as defined in the New York Stock Exchange (NYSE) listing standards.

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. The Nominating 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 Board of Directors has adopted a Directors Nominating and Qualification Charter (Nominating Committee Charter), a copy of which was last included in the Fund's proxy statement for the 2004 annual meeting of shareholders.

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 Nominating Committee Charter; are not interested persons of the Fund within the meaning of the Act; and are independent as defined in the NYSE listing standards. Director qualification requirements include, but are not limited to, the following:

- (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 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 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.

In addition, the nominating shareholder or shareholder group must meet the following requirements in order for the Nominating Committee to consider a proposed nominee:

- (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 Nominating Committee Charter).

A nominating shareholder or shareholder group may not submit more than one Independent Director nominee each calendar year. All shareholder recommended nominee submissions must be received by the Fund by April 25, 2007, the deadline for submission of any shareholder proposals which would be included in the Fund's proxy statement for its 2007 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 Securities Exchange Act of 1934, as amended (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 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 Nominating Committee 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 make its recommendations to the Board. Each of the Independent Director nominees included in this Proxy Statement currently serves on the Board of Directors of the Fund. Mr. Albe currently serves as the President and Chief Executive Officer of the Fund. Mr. Sonneborn was identified by the Adviser for consideration by the Nominating Committee. If elected, Messrs. Albe and Sonneborn would replace Messrs. Sims and Ellison, each of whom will be retiring from the Board of Directors.

No nominee recommendations have been received from shareholders for this Annual Meeting. 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 changes.

Audit Committee

The Fund's Board of Directors has appointed an Audit Committee and has adopted a written charter for the 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 control and 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.

Executive Committee

The Fund's Board of Directors has appointed an Executive Committee. The purpose of the Executive Committee is to provide for the exercise of certain powers of the Board of Directors in extraordinary circumstances where a meeting of the full Board of Directors is not practicable. The members of the Executive Committee are currently Messrs. Richard W. Call, Ernest O. Ellison and Patrick C. Haden, however, Mr. Ellison will be retiring from the Board of Directors and Executive Committee. If elected, it is anticipated that Mr. Albe or Mr. Sonneborn will serve on the Executive Committee.

Board and Committee Meetings in Fiscal 2005

During the Fund's fiscal year ended December 31, 2005, the Board of Directors held four regular meetings, two special meetings, five Audit Committee meetings, and two Nominating Committee meetings. No Executive Committee meetings were held during that period. 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, Audit Committee or Executive 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 Directors relating to the Fund to the Fund's Secretary at TCW Strategic Income 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 2005 annual meeting held on September 29, 2005, seven Directors were present.

Compensation for Directors

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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 sets forth the compensation paid to the Fund's Independent Directors for the fiscal year ended December 31, 2005 by the Fund and the aggregate compensation paid to the Fund's Independent Directors by the Fund and TCW Funds, Inc. for the same period. The compensation paid by TCW Funds, Inc. is included solely because the Adviser also serves as investment adviser to that fund. The Independent Directors do not receive any pension or retirement benefits from the Fund or TCW Funds, Inc. The Interested Directors are omitted from this table because they receive no compensation from the Fund or TCW Funds, Inc.

<u>Name of Independent Director</u>	Aggregate Cash	
	Aggregate Compensation from the Fund	Compensation from TCW Funds, Inc. and the Fund
Samuel P. Bell	\$ 12,750	\$ 71,500
Richard W. Call	\$ 12,250	\$ 61,000
Matthew K. Fong	\$ 12,750	\$ 61,500
John A. Gavin	\$ 12,750	\$ 61,500
Patrick C. Haden	\$ 12,750	\$ 76,500
Charles A. Parker	\$ 12,750	\$ 61,500

Compliance with Section 16(a) of the 1934 Act

Section 16(a) of the 1934 Act and Section 30(h) of the Act, as applied to the Fund, require the Fund's officers and Directors, Adviser, certain affiliates of the Adviser, and persons who beneficially own more than ten percent of a registered class of the Fund's securities (Reporting Persons), to file reports of ownership of the Fund's securities and changes in such ownership with the Securities and Exchange Commission (SEC) and the NYSE. Reporting Persons are also required by such regulations to furnish the Fund with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it and written representations of certain Reporting Persons, the Fund believes that during fiscal year 2005, all required Section 16(a) ownership reports were timely filed with the exception of Form 3 filings that were required to be filed by Robert D. Beyer, Jeffrey E. Gundlach and William C. Sonneborn on November 3, 2005. These late filings were due to an administrative error which has been corrected.

Executive Officers of the Fund

The following information relates to the executive officers 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	President, Chief Executive Officer, and Director, the Adviser; Executive Vice President and Director of TCW Asset Management Company and Trust Company of the West; Executive Vice President, The TCW Group, Inc.; President and Chief Executive Officer, TCW Funds, Inc.	53	1998
Jeffrey E. Gundlach Senior Vice President	Group Managing Director, Chief Investment Officer and Director, the Adviser, The TCW Group, Inc. and Trust Company of the West; President, Chief Investment Officer and Director; TCW Asset Management Company.	46	2006
Thomas E. Larkin, Jr. Senior Vice President	Vice Chairman, The TCW Group, Inc., the Adviser, TCW Asset Management Company and Trust Company of the West.	66	1989
Hilary G. D. Lord Senior Vice President Chief Compliance Officer	Managing Director, Chief Compliance Officer and Assistant Secretary, Trust Company of the West and the Adviser; Senior Vice President and Assistant Secretary, TCW Funds, Inc.	49	1988
Thomas D. Lyon Senior Vice President	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West.	47	1998
Michael E. Cahill General Counsel and Assistant Secretary	Group Managing Director, General Counsel and Secretary, the Adviser, The TCW Group, Inc. and Trust Company of the West; Group Managing Director, General Counsel, Secretary and Director, TCW Asset Management Company; Senior Vice President, General Counsel and Assistant Secretary, TCW Funds, Inc.	55	1992
Philip K. Holl Secretary and Associate General Counsel	Senior Vice President and Associate General Counsel, the Adviser, TCW Asset Management Company and Trust Company of the West; Secretary and Associate General Counsel, TCW Funds, Inc.	56	1994
David S. DeVito Treasurer and Chief Financial Officer	Managing Director and Chief Financial Officer, the Adviser, The TCW Group, Inc. and Trust Company of the West; Managing Director, Chief Financial Officer and Director, TCW Asset Management Company; Treasurer and Chief Financial Officer, TCW Funds, Inc.	43	2001
George N. Winn Assistant Treasurer	Senior Vice President, the Adviser, TCW Asset Management Company and Trust Company of the West.	37	2001

Accounting Matters

The Board of Directors (including a majority of Independent Directors) has selected Deloitte & Touche LLP (Deloitte) as independent auditors for the Fund for the fiscal year ending December 31, 2006. 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. It is expected that a representative of Deloitte will be present at the Annual Meeting and that shareholders will have the opportunity to ask questions of the representative.

Audit Committee Report

The Audit Committee of the Board of Directors normally meets at least twice 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. The Board of Directors has determined that Samuel P. Bell qualifies as an audit committee financial expert, as defined under the SEC's Regulation S-K, Item 401(h). The Audit Committee 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. The Audit Committee is required to conduct its operations in accordance with applicable requirements of the Sarbanes-Oxley Act of 2002 and the Public Company Accounting Oversight Board, and the members of the Audit Committee are subject to the fiduciary duty to exercise reasonable care in carrying out their duties. 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 that the audited financial statements of the Fund be included

in the Fund's annual report to shareholders for the fiscal year ended December 31, 2005. The members of the Audit Committee, Messrs. Bell, Call, Fong, Gavin, Haden, and Parker, are Independent Directors who are independent within the meaning of the NYSE 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, 2004 and 2005 were as follows:

Fiscal Year	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2004	\$ 37,960	\$ 0	\$ 4,350	\$ 0
2005	\$ 37,960	\$ 0	\$ 10,843	\$ 0

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. Tax fees for the fiscal years ended December 31, 2004 and 2005 were billed in connection with tax consulting and tax form preparation services.

No non-audit fees were billed by Deloitte to the Adviser. In addition, Deloitte did not provide any non-audit services to any entity controlling, controlled by or under common control with the 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, 2005, 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 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. Signed and 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 THIS 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, 2005, the Fund's shares traded at an average discount from net asset value of 10.395%, 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 a meeting held on February 23, 2006, the Fund's Board of Directors considered and approved a new asset allocation model consistent with the Fund's new investment objective and expanded investment policies. The Fund's new investment objective and expanded investment policies were approved at the Fund's 2005 annual meeting of shareholders and instituted in March 2006. At a meeting held on August 2, 2006, the Fund's Board of Directors reviewed information regarding the potential advantages and disadvantages of converting to an open-end fund and the possible effects of conversion on the Fund.

In connection with these deliberations, the Board considered that the Fund has undergone a major transition from a primarily convertible securities fund to a multi-strategy fund. The Fund's new investment objective, investment policies and asset allocation model will expand the asset classes in which the Fund can invest and expand the Fund's ability to use leverage and call options. The expanded investment options may include, but are not limited to, dividend paying equity securities as well as non-convertible debt securities including high yield debt securities (high yield securities are those rated below investment grade, and are subject to greater risk than

higher rated securities), mortgage-related securities and asset-backed securities. This initiative to refocus the Fund as a multi-strategy vehicle with expanded investment options is intended to give the Adviser greater flexibility to draw on its extensive investment capabilities across a wide range of asset classes in order to generate investment income and to attempt to improve the Fund's investment performance. In addition, the Board considered that the new asset allocation model is generally intended to reduce the Fund's exposure to the equity markets, result in the Fund becoming more fixed income oriented and increase the average credit quality of fixed income securities from BB+ to BBB.

The Board further considered that the modified investment strategy of the Fund, along with improved investment performance, could have the effect of increasing demand for the Fund's shares and reducing the Fund's share price discount over the long-term, although there is no assurance that the Fund's discount will be affected by this initiative.

The Board also considered that the Fund's shares traded at a discount from net asset value within a range of 6.69% to 11.37% during the period March 31, 2006 to July 28, 2006. The Board considered that the investment strategy transition has only been recently implemented, and there has been insufficient time for management and the Board to consider the effect of the strategy change and to determine whether there will be any favorable long-term impact on investment performance and/or the share discount.

At the meeting held on August 2, 2006, 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 [Comparison of Open-End Fund and Closed-End Fund Characteristics](#) [Potential Open-End Fund Disadvantages](#) [Impact on Portfolio Management](#). The Board also believes that conversion could expose the Fund to 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 [Comparison of Open-End Fund and Closed-End Fund Characteristics](#) [Potential Open-End Fund Disadvantages](#) 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 through redemption (although such redemptions may result in a capital gain to the redeeming shareholders which may be taxable).

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