

WESTCHESTER CAPITAL MANAGEMENT, LLC

**100 SUMMIT LAKE DRIVE
VALHALLA, NY 10595**

**(914) 741-5600
OPERATIONS@MERGERFUND.COM**

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This brochure provides information about the qualifications and business practices of Westchester Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (914) 741-5600 or operations@mergerfund.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Westchester Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This brochure is a new document prepared according to the United State Securities and Exchange Commission’s new requirements and rules. This brochure is materially different in structure from our prior disclosure document and requires certain new information that our previous brochure did not require.

In the future, this Item 2 will contain a summary of any material changes since the last annual update of our brochure.

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ITEM 4 - ADVISORY BUSINESS

Westchester Capital Management, LLC (“WCM”), 100 Summit Lake Drive, Valhalla, New York 10595, provides investment advice as:

the investment adviser to The Merger Fund, a registered open-end investment company organized as a Massachusetts business trust (“TMF”);

the investment adviser to The Merger Fund VL, a registered open-end investment company organized as a Delaware statutory trust which offers its shares only to insurance company separate accounts in connection with variable annuity contracts or variable life insurance policies issued by certain life insurance companies (“VL”);

the sub-adviser to the Dunham Monthly Distribution Fund, a separate series of shares of the Dunham Funds, a registered investment company (“Dunham”); and

the sub-adviser to the Westchester Merger Arbitrage UCITS Fund, a sub-fund of Merrill Lynch Investment Solutions, an umbrella investment company with variable share capital incorporated in the Grand Duchy of Luxembourg (the “UCITS Fund”).

TMF, VL, Dunham and the UCITS Fund are collectively referred to as the “Funds.” The Funds engage in merger arbitrage.

WCM (including its predecessor firm) has been established managers in the merger arbitrage space for over 25 years. WCM has been an investment adviser registered with the Securities and Exchange Commission since 2010 and its predecessor firm was registered in 1980.

Roy Behren, as Manager of RDBWCM Holdings, LLC, Michael T. Shannon, as Manager of MTSWCM Holdings, LLC, and LPC Westchester GP, LLC, as general partner of LPC Westchester, LP, are WCM’s principal owners.

Merger arbitrage is a highly specialized investment approach designed to profit from the successful completion of proposed mergers, takeovers, tender offers, leveraged buyouts, liquidations and other types of corporate reorganizations.

WCM tailors its advisory services to the specific investment objectives, policies and restrictions of each Fund set forth in the relevant prospectus, prospectus supplement, statement of additional information, investment advisory contract and other governing documents pertaining to each Fund.

As of June 30, 2011, WCM managed \$5,202,886,753 in client assets on a discretionary basis and did not manage any client assets on a non-discretionary basis.

ITEM 5 - FEES AND COMPENSATION

WCM is the investment adviser to TMF pursuant to an investment advisory contract (the “TMF Contract”) dated January 1, 2011. The TMF Contract provides that WCM receives an annual management fee of 1.0% of TMF’s average daily net assets for the most recent fiscal year (before adjusting for the fee waiver by WCM). This fee is accrued daily and payable monthly.

WCM has entered into an agreement with TMF whereby WCM has agreed to reduce its advisory fee so that the advisory fee will be: (i) 1.0% on an annualized basis of the average daily net assets of TMF on net assets below \$1.5 billion; (ii) 0.9% on an annualized basis of the average daily net assets of TMF on net assets between \$1.5 billion and \$2.0 billion; (iii) 0.8% on an annualized basis of the average daily net assets of TMF on net assets between \$2.0 billion and \$5.0 billion and (iv) 0.75% on an annualized basis of the average daily net assets of TMF on net assets over \$5.0 billion. This agreement is effective for the period from January 1, 2011 through December 31, 2012 and shall continue in effect from year-to-year thereafter only upon mutual agreement of TMF and WCM.

WCM is the investment adviser to VL pursuant to an investment advisory contract (the “VL Contract”) dated January 1, 2011. The VL Contract provides that WCM receives an annual management fee of 1.25% of the net asset value of VL. This fee is accrued daily and paid monthly. WCM has contractually agreed to absorb expenses of VL and/or waive fees due to WCM in order to ensure that total operating expenses of VL, excluding dividends on short positions and interest expense, on an annual basis do not exceed 1.40%. This contract expires on June 30, 2013, but may be annually renewed by mutual agreement thereafter. WCM may recapture some or all of the amounts it waives or absorbs on behalf of VL over a period of three years if it is able to do so without causing operating expenses of VL, excluding dividends on short positions and interest expense, to exceed the 1.40% cap.

WCM is sub-adviser to Dunham pursuant to a Sub-Advisory Agreement, dated as of December 6, 2010, and effective December 31, 2010, among Dunham & Associates Investment Counsel, Inc., the Dunham Funds and WCM (the “Dunham Contract”). The Dunham Contract provides that WCM’s fee is a performance-based fulcrum fee composed of a base fee ranging from 0.75% to 0.70% depending on Dunham’s net assets and a performance fee that can vary by up to +/-0.50% depending on WCM’s performance over a rolling 12-month period measured against a designated benchmark. No adjustment is made to WCM’s fees if the performance falls within the “null zone” of plus or minus 0.15% versus the benchmark. The total fulcrum fee (base fee plus or minus performance fee) is paid monthly.

WCM is sub-adviser to the UCITS Fund pursuant to an Investment Management Agreement between Merrill Lynch Investment Solutions and WCM (the “UCITS Fund Contract”). The UCITS Fund Contract provides that WCM is paid a management fee of up to 0.90% per annum of the net asset value of each class of shares, prior to reduction for any accrued performance fee, and a performance fee of up to 20% of new net appreciation calculated by reference to each share class’s high water mark. The investment management fee is payable monthly in arrears within five business days of the end of each calendar month.

WCM's fees are negotiated and fixed at the time that each Fund's investment advisory contract is entered into.

Each Fund's daily NAV reflects the deduction of accrued management fees and, in the case of Dunham and the UCITS Fund, performance fees.

TMF, VL and Dunham pay other expenses related to their respective operations, including custodial fees; brokerage commissions; expenses of issue, sale, underwriting, distribution, redemption or repurchase of shares; legal and accounting fees; expenses for servicing shareholders accounts; insurance premiums for fidelity and other coverage; and expenses of computing the net asset value of the shares. See *Item 12 - Brokerage Practices* below.

The UCITS Fund pays all taxes owed on the company's assets and income; bank fees, possible registration and brokerage fees for transactions in securities making up the company's portfolio, as well as fees on transfers referring to redemptions of shares; the cost of extraordinary measures, in particular experts' or counsels' fees or lawsuits necessary to protect shareholders' interests; and expenses relating to the sponsor's promotion and distribution of shares in the company and any of its sub-funds, including but not limited to the printing and distribution of sales literature and advertising and promotional costs.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed above under *Item 5 - Fees and Compensation*, WCM charges performance-based fees in the case of Dunham and the UCITS Fund.

WCM is an affiliate of Green & Smith Investment Management L.L.C., an investment adviser (“Green & Smith”). Green & Smith, an investment adviser since 1996, provides investment advice as the general partner of Hudson Valley Partners, L.P., a Delaware limited partnership (“HVP”), investment adviser to The Merger Fund Ltd., a Cayman Islands exempt company (“LTD”), and the manager of GS Master Trust, a Bermuda trust (the “Master Fund”), a master-feeder structure in which HVP and LTD act as feeders to the Master Fund. The Master Fund engages in merger arbitrage. Green & Smith does not charge any fee to the Master Fund for its services.

Green & Smith charges HVP a 1.0% management fee which is accrued and calculated monthly and payable in arrears as of the last day of each calendar quarter. In addition, Green & Smith is entitled to an incentive fee, which is an amount, paid annually, equal to 20% of the net profits of HVP, if any, during each fiscal year. If the net asset value of HVP at the end of a fiscal year is lower than the net asset value at the end of any prior fiscal year, no incentive fee is paid to Green & Smith.

Green & Smith charges LTD a management fee, which is payable quarterly in arrears and is accrued and calculated monthly (as of the last business day of each month) at an annual rate of 1.0% of the monthly net asset value of LTD. In addition, Green & Smith is entitled to an incentive fee, which is an amount, accrued monthly and paid annually, equal to 20% of the net profits of LTD, if any, during each fiscal year. If the net asset value per share of LTD at the end of a fiscal year is lower than the net asset value per share at the end of any prior fiscal year, no incentive fee is paid to Green & Smith.

Roy Behren, Co-Manager, Co-President and Treasurer of WCM, is Co-Manager, Co-President, Treasurer and a member of Green & Smith, Co-President, Treasurer and a Trustee of TMF and Co-President and Treasurer of VL. Michael T. Shannon, Co-Manager and Co-President of WCM, is Co-Manager, Co-President and a member of Green & Smith, Co-President of TMF and Co-President and a Trustee of VL.

The fact that WCM’s portfolio managers manage both accounts that are charged a performance-based fee and accounts that are charged an asset-based fee creates the potential for a conflict of interest, since receipt of a portion of any profits realized by WCM’s accounts that are charged a performance-based fee could, in theory, create an incentive to favor such accounts. However, WCM does not believe that Mr. Behren’s and Mr. Shannon’s overlapping responsibilities or the various elements of their compensation present any material conflict of interest, for the following reasons: (i) the Funds and the Master Fund all engage in merger arbitrage and are managed in a similar fashion; (ii) WCM and Green & Smith follow strict and detailed written allocation procedures designed to allocate securities purchases and sales among the Funds and the Master Fund in a fair and equitable manner; and (iii) all allocations and fair-value pricing reports are subject to review by WCM and Green & Smith’s Chief Compliance Officer.

ITEM 7 - TYPES OF CLIENTS

WCM provides investment advice to registered investment companies and a UCITS sub-fund.

TMF's minimum initial investment requirement for individuals, IRAs, corporations, partnerships or trusts is \$2,000. However, WCM, in its sole discretion, may waive the minimum initial investment amount on a case-by-case basis. There is no minimum investment requirement for qualified retirement plans or investments that are made through omnibus accounts. There is no minimum investment requirement for subsequent investments.

Shares of VL are not sold to the general public. VL shares are offered for purchase by separate accounts to serve as an investment medium for variable annuity and variable life insurance contracts issued by participating life insurance companies. Purchase and redemption orders are placed only by participating insurance companies. The participating insurance companies that issued the contracts are responsible for investing in VL according to the investment options chosen by the investors in the contracts. Investors in the contracts should consult their contract prospectus for additional information.

For Dunham's Class A shares, the initial minimum investment amount for regular accounts is \$5,000, and for tax-deferred accounts is \$2,000. The minimum subsequent investment is \$100. For Dunham's Class C shares, the minimum initial investment is \$5,000 and for tax-deferred and certain tax efficient accounts is \$2,000. The minimum subsequent investment is \$100. For Dunham's Class N shares, the minimum initial investment is \$100,000 for taxable accounts and \$50,000 for tax-deferred accounts. There is no minimum subsequent investment amount for Class N shares.

For the UCITS Sub-Fund, the initial subscription price per share is €100, \$100 or £100, depending on the share class. Each investor in the UCITS Fund must not be a U.S. Person, as defined in Regulation S under the Securities Act of 1933 or in regulations adopted under the Commodity Exchange Act, other than a Permitted U.S. Person, which means an entity that was not formed for the purpose of acquiring shares and that is controlled by Permitted US Persons, or an entity that is owned solely by Permitted US Persons. No investors that are benefit plan investors are permitted to subscribe for, or otherwise own, shares of the UCITS Sub-Fund.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Merger arbitrage is a highly specialized investment approach designed to profit from the successful completion of proposed mergers, takeovers, tender offers, leveraged buyouts, liquidations and other types of corporate reorganizations. In deciding whether and to what extent to invest in any given reorganization, WCM typically reviews numerous factors which affect the probability and timing of the deal's completion. Such considerations include the motivations of the parties to the transaction, whether a definitive plan of reorganization had been agreed to, the conditions under which the agreement may be terminated, Wall Street reaction to the deal, and the number and nature of the regulatory approvals required. The analysis of hostile takeover attempts involves other considerations, such as the extent and likely effectiveness of the defensive measures available to the target company. WCM frequently makes use of fundamental analysis in evaluating arbitrage situations but rarely employs technical analysis. Given the nature of merger arbitrage, WCM places little emphasis on attempting to forecast the direction of the stock market.

In the course of its arbitrage research, WCM reviews various financial publications, company reports and press releases; filings made with the Securities and Exchange Commission and other government agencies; and Wall Street research reports. WCM also seeks information and opinions regarding pending reorganizations from corporate officers, securities analysts, regulatory officials, investment bankers, lawyers, accountants, consultants, commercial bankers and other arbitrageurs.

WCM employs a variety of strategies depending upon the nature of the reorganizations selected for investment. The most common arbitrage activity involves purchasing the shares of an announced acquisition target at a discount to their expected value upon completion of the proposed transaction. The size of the discount and the length of time required to consummate the reorganization determine the rate of return on the investment. Positions are held for relatively short periods of time averaging less than six months. WCM generally limits its investments in more speculative "pre-deal" situations and, when appropriate, uses short sales and derivatives to hedge its positions. Portfolios are diversified to the greatest extent practicable, and leverage is sometimes employed to enhance returns.

Investing in securities involves risk of loss that clients should be prepared to bear.

The principal risk associated with the Funds' merger-arbitrage investment strategy is that certain of the proposed reorganizations in which a Fund invests may be renegotiated or terminated, in which case losses may be realized.

The Funds are permitted to hold both long and short positions in foreign securities. Investments in foreign companies involved in pending mergers, takeovers and other corporate reorganizations may entail political, cultural, regulatory, legal and tax risks different from those associated with comparable transactions in the United States. If securities are denominated in a foreign currency, there is a risk that the value in U.S. dollars of the foreign securities held by the Funds that are not U.S. dollar-denominated may be affected favorably or unfavorably by changes in exchange rates and exchange-control regulations, and the Funds may incur costs in connection

with conversions between various currencies. Also, in conjunction with their investments in foreign securities, the Funds will normally attempt but are not required to hedge their exposure to foreign currencies. Such hedging activities involve additional expenses and, in the case of reorganizations that are terminated, the risk of loss when the currency hedge is unwound. There is no assurance that any such hedging techniques will be successful. In conjunction with their investments in foreign securities, the Funds may employ equity swap contracts and other derivatives.

Merger arbitrage portfolios may have higher turnover rates than portfolios of typical long-only funds. This may result in increased transaction costs to the Funds, which could impact the Funds' performance.

ITEM 9 - DISCIPLINARY INFORMATION

We are required to disclose all material facts regarding legal or disciplinary events that would be material to your evaluation of WCM's advisory business or the integrity of WCM's management. WCM does not have any legal or disciplinary events to report.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As described above under *Item 4 – Advisory Business* and *Item 7 – Types of Clients*, WCM provides investment advice to registered investment companies and a UCITS sub-fund.

As described above under *Item 6 - Performance-based Fees and Side-by-Side Management*, WCM is an affiliate of Green & Smith, an investment adviser which provides investment advice as the general partner of HVP, the investment adviser to LTD, and the manager of the Master Fund, a master-feeder structure in which HVP and LTD act as feeders.

The Co-Managers of WCM are officers and/or trustees of WCM, TMF and VL, which creates the potential for a conflict of interest, which is addressed as described under *Item 6 - Performance-based Fees and Side-by-Side Management*.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

WCM has adopted a Code of Ethics and will provide a copy of the Code of Ethics to any client or prospective client upon request. The Code of Ethics is designed to reinforce fiduciary principles that govern the conduct of WCM and its personnel. The Code of Ethics contains provisions that are believed to be reasonably necessary to eliminate the possibility of any fraudulent or other prohibited conduct. The Code of Ethics covers a wide range of issues, including general fiduciary principles, conflicts of interest, insider trading, personal securities transactions, gifts, confidentiality, certification of compliance and sanctions.

WCM's access persons are permitted to purchase or sell publicly traded securities which may also be owned or recommended to be owned or sold by the Funds and the Master Fund. However, WCM's access persons historically have not done so. Further, WCM's access persons are not permitted to engage in personal trading except as permitted by WCM's Code of Ethics. Any such transaction for the account of an access person will be entered into only if the transaction is consistent with WCM's fiduciary duties to the Funds and WCM's Code of Ethics. All persons deemed to be access persons of WCM are subject to the provisions of the Code of Ethics regarding personal securities transactions and trading while in the possession of inside information and may only enter into such transactions subject to the Code of Ethics. The Code of Ethics is designed to prevent conflicts of interest and violations of law by persons subject to its provisions.

Green & Smith is the general partner of HVP and the investment advisor to LTD, in which Green & Smith clients are solicited to invest. As managers and members of the general partner of HVP and investors in the Funds, Green & Smith's related persons have indirect financial interests in the securities owned by the Funds.

ITEM 12 - BROKERAGE PRACTICES

In selecting a broker-dealer to execute any given transaction, WCM will take the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker-dealer; the size and complexity of the order; the broker-dealer's order flow in the security to be traded; the broker-dealer's willingness to commit capital to facilitate the transaction; WCM's soft-dollar arrangements for third-party research; and the value of the expected contribution of the broker-dealer to the investment performance of the Funds on a continuing basis.

WCM may cause the Funds to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits if WCM determines in good faith that such commissions are reasonable in relation to the value of brokerage, research and other services provided to the Funds.

In allocating portfolio brokerage, WCM and Green & Smith may select broker-dealers who also provide brokerage, research and other services to other accounts over which WCM or Green & Smith exercises investment discretion. WCM and Green & Smith use soft dollar benefits to service all of its clients' accounts. Although WCM and Green & Smith seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate, some of the services received as the result of Fund transactions may primarily benefit accounts other than the Funds, while services received as the result of portfolio transactions effected on behalf of those other accounts may primarily benefit the Funds.

WCM may receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions. These are known as "soft dollar" benefits. When WCM uses client brokerage commissions to obtain research or other products or services, WCM receives a benefit because it does not have to produce or pay for the research, products or services. WCM may have an incentive to select or recommend a broker-dealer based on WCM's interest in receiving the research or other products or services, rather than on WCM's clients' interest in receiving most favorable execution.

To address potential conflicts of interest that soft dollar benefits create, WCM's Chief Compliance Officer meets at least quarterly with management to review the performance of each selected broker-dealer, the services being provided by the broker-dealer and the fees being paid for those services to ensure that WCM is satisfying its obligations under its policy. WCM's Chief Compliance Officer keeps a detailed written record of each such meeting listing the specific topics discussed and any actions suggested or taken as a result of such meeting.

WCM is the investment adviser or sub-adviser to registered investment companies and therefore is required to comply with rules under the Investment Company Act of 1940. Both WCM and Green & Smith follow policies and procedures, pursuant to the Investment Company Act, for compensating a broker-dealer or directing portfolio securities transactions to a broker-dealer.

During WCM's last fiscal year, WCM and Green & Smith acquired research services permitted under Section 28(e) of the Securities Exchange Act of 1934 with client brokerage commissions.

When selecting a broker-dealer to execute a given transaction, broker-dealers with which WCM maintains a soft dollar relationship are subject to the same best execution review described above.

When a Fund and the other accounts over which WCM or Green & Smith exercises investment discretion are engaged in the simultaneous purchase or sale of the same securities, WCM may aggregate the orders. WCM believes that such bunching facilitates the timely and efficient execution of trades. Moreover, WCM may be able to execute bunched orders at more favorable prices than would be realized when effecting a number of individual, sequential purchase or sale transactions. As a result of the practice of bunching orders, however, WCM and Green & Smith often must allocate purchases and sales of securities among different client accounts following the execution of a bunched purchase or sale order. Shares are allocated among the various accounts pro rata or in some other equitable manner consistent with the investment objectives and risk profile of each account.

ITEM 13 - REVIEW OF ACCOUNTS

Merger arbitrage is a highly focused, dynamic type of investing which requires careful and continuous analysis of all events surrounding a pending corporate reorganization. Arbitrage positions generally are reviewed on a daily basis and the holdings of WCM's clients are adjusted accordingly. These accounts are managed by Roy Behren, Co-Manager, Co-President and Treasurer of WCM, and Michael T. Shannon, Co-Manager and Co-President of WCM.

As described in each Fund's prospectus, the Funds are required to provide written semi-annual and annual reports to their shareholders. Audited financial statements are provided on an annual basis. Written statements are provided to shareholders by each Fund's custodian.

In addition, WCM may provide written monthly fact sheets and quarterly letters, which may include a report of current positions, valuations, prices and transactions; commentary; a statement of total assets; and performance.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

WCM does not provide direct or indirect compensation for client referrals.

Green & Smith may from time to time enter into arrangements whereby it compensates consultants for recommending prospective clients to Green & Smith. These arrangements may provide that the consultants receive a fee based on a certain percentage of the investment advisory fee received by Green & Smith from these referred clients. The consultants are not officers, directors, managers, members or employees of Green & Smith and do not have a relationship with Green & Smith other than pursuant to the arrangements. The consultants do not render any investment advice to Green & Smith or its clients. Clients solicited by the consultants are not charged any amount in addition to the fees that Green & Smith customarily may charge. Any and all cash payments made to the consultants are structured to comply with Rule 206(4)-3 of the Investment Advisers Act of 1940.

ITEM 15 - CUSTODY

WCM does not have custody of client funds or securities (other than its ability to deduct its investment advisory fees directly from clients' accounts). To the extent a shareholder of a Fund receives account statements from a broker-dealer, bank or other qualified custodian, the shareholder should carefully review those statements.

ITEM 16 - INVESTMENT DISCRETION

WCM has discretionary authority to manage securities accounts on behalf of clients. As a general policy, WCM does not allow clients to place limitations on this authority. Prior to assuming discretion in managing clients' assets, WCM enters into an investment management agreement or other agreement that explains the scope of this authority.

ITEM 17 - VOTING CLIENT SECURITIES

WCM has authority to vote client securities. WCM has adopted Proxy and Corporate-Action Voting Policies and Procedures that govern the voting of proxies for securities held by the Funds. Clients cannot direct WCM's vote in a particular solicitation. WCM has full authority to vote proxies or act with respect to other shareholder actions on behalf of the Funds. WCM's primary consideration in voting proxies is the best interest of the Funds. The proxy-voting procedures address the resolution of potential conflicts of interest and circumstances under which WCM will limit its role in voting proxies. Where a proxy proposal raises a material conflict between WCM's interests and a Fund's interests, WCM will resolve the conflict by following the policy guidelines.

The proxy-voting guidelines describe WCM's general position on proposals. WCM will generally vote against any management proposal that clearly has the effect of restricting the ability of shareholders to realize the full potential value of their investment. Routine proposals that do not change the structure, bylaws or operations of the corporation to the detriment of the shareholders will normally be approved. WCM will review certain issues on a case-by-case basis based on the financial interest of the Funds.

When securities are out on loan, they are transferred into the borrower's name and are voted by the borrower, in its discretion. However, if WCM has knowledge that an event will occur having a material effect on a Fund's investment in a loaned security, WCM will seek to have the loan called in time to vote the proxy or WCM will enter into an arrangement which ensures that the proxies for such material events may be voted as the Fund desires.

Information regarding how WCM voted proxies and a copy of WCM's Proxy and Corporate-Action Voting Policies and Procedures are available upon request by calling (914) 741-5600 or sending an e-mail to operations@mergerfund.com.

ITEM 18 - FINANCIAL INFORMATION

No financial condition is reasonably likely to impair WCM's ability to meet contractual commitments to clients.