

PROCEDURES FOR DOING AN INTERCLASS TRANSFER

Effective October 1, 2003, The Arbitrage Fund began offering Class I shares (Symbol: ARBNX). Class I shares represent an investment in the same portfolio as Class R shares (Symbol: ARBFX). The benefit of owning Class I shares is a reduced expense ratio. We encourage investors to read the current prospectus to compare the two classes and determine the merit of transferring their Class R shares for the Class I shares.

Class I shares are not subject to an annual distribution (12b-1) fee. In order to qualify for the purchase of Class I shares an investor must:

- invest or have invested a minimum investment of \$100,000; and
- invest directly in the Arbitrage Fund or invest through a broker-dealer, financial institution or servicing agent that does not receive a distribution fee from the Fund or its investment advisor.

As reflected in the Fund's prospectus, if you qualify as a purchaser of Class I shares, but your account is invested in Class R shares, you may convert your Class R shares to Class I shares. Please read the prospectus carefully before authorizing an interclass transfer. In addition, you may want to consult with your personal tax advisor before taking any action.

The following table explains how to convert your shares at various platforms.

PLATFORM	PROCEDURE
Direct Shareholder	Call SEI Investments Distributor Co. at 1-800-295-4485
Bear Stearns	Contact broker/representative and give instructions to do a transfer from your retail class shares into the institutional class shares.
TD Waterhouse	Contact broker/representative who will place order to transfer shares through the SURPASS system. Broker will see the order as a buy and sell, but it will be executed as a transfer.
Pershing	Contact broker/representative who can either do a transfer by wire sent to Pershing mutual fund desk or through the MFNL-NexPro system.
	<p>Some broker platforms are unable to perform a tax-free interclass transfer. The Fund's distributor, SEI Investments Distributor Co., will facilitate the transfer when the following steps are taken:</p> <ol style="list-style-type: none"> 1) Shareholder must instruct their broker/representative to contact SEI with written instructions to exchange shares from the retail to the institutional class. Instructions from their broker/representative should follow the format of the attached Transfer Request Letter (see next page) 2) The broker/representative should fax or mail the Transfer Request Letter to SEI using the fax number and the address as indicated on the letter. <p>The interclass transfer will occur on the same day the letter arrives if it is received by 4:00 PM (Eastern Standard Time).</p>

[Broker Letterhead]

TRANSFER REQUEST LETTER

Date

Shareholder Services
The Arbitrage Fund
P.O. Box 219842
Kansas City, MO 64121-9842

Phone # (800) 295-4485

In order to facilitate the transfer of shares between classes on behalf of one of our accounts, we hereby request that you undertake the following transfer.

Please transfer _____ shares of The Arbitrage Fund - R (Cusip # 03875R106) out of our omnibus account. Use the proceeds to purchase a corresponding amount in The Arbitrage Fund – I (Cusip # 03875R205) into the corresponding omnibus account.