

Edgar Filing: TCW CONVERTIBLE SECURITIES FUND INC - Form SC 13D

TCW CONVERTIBLE SECURITIES FUND INC

Form SC 13D

November 09, 2005

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

SCHEDULE 13D

UNDER THE SECURITIES EXCHANGE ACT OF 1934

TCW Convertible Securities Fund, Inc.  
(Name of Issuer)

COMMON STOCK  
(Title of Class of Securities)

872340104  
(CUSIP Number)

Jerald A. Trannel  
290 South County Farm Road, Third Floor  
Wheaton, Illinois 60187-4526  
Telephone: (630) 588-7200  
(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)

November 9, 2005  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on  
Schedule 13G to report the acquisition which is the subject  
of this Schedule 13D, and is filing this schedule because  
of Section 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g),  
check the following box. [ ]

NOTE: Schedules filed in paper format shall include a  
signed original and five copies of the schedule, including  
all exhibits. See Section 240.13d-7(b) for other parties  
to whom copies are to be sent.

The remainder of this cover page shall be filled out for a  
reporting person's initial filing on this form with respect  
to the subject class of securities, and for any subsequent  
amendment containing information which would alter  
disclosures provided in a prior cover page.

The information required on the remainder of this cover  
page shall not be deemed to be "filed" for the purpose of  
Section 18 of the Securities Exchange Act of 1934 ("Act")  
or otherwise subject to the liabilities of that section of  
the Act but shall be subject to all other provisions of the  
Act (however, see the Notes).

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Schedule 13D

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1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons  
Grace Brothers, Ltd.

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2. Check the Appropriate Box if a Member of a Group (See instructions)

- (a)   
(b)

3. SEC Use Only

4. Source of Funds (See instructions)  
00

5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

Illinois Limited Partnership

	7 Sole Voting Power
Number of	0
Shares	8 Shared Voting Power
Beneficially	1,141,200 shares
Owned by	
Each	
Reporting	9 Sole Dispositive Power
Person	0
With	10 Shared Dispositive Power
	1,141,200 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

1,141,200 shares

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions)

13. Percent of Class Represented by Amount in Row (11)

2.4%

14. Type of Reporting Person (See instructions)

PN

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Schedule 13D

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1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons

Bradford T. Whitmore

2. Check the Appropriate Box if a Member of a Group (See instructions)

- (a)   
(b)

3. SEC Use Only

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4. Source of Funds (See instructions)

00

5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e) [ ]

6. Citizenship or Place of Organization

United States

Number of Shares Beneficially Owned by Each Reporting Person With

7 Sole Voting Power  
0 shares

8 Shared Voting Power  
1,141,200 shares

9 Sole Dispositive Power  
0 shares

10 Shared Dispositive Power  
1,141,200 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

1,141,200

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions) [ ]

13. Percent of Class Represented by Amount in Row (11)

2.4%

14. Type of Reporting Person (See instructions)

IN

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Schedule 13D

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1. Names of Reporting Person

S.S. OR I.R.S. Identification No. of Above Persons

Spurgeon Corporation

2. Check the Appropriate Box if a Member of a Group (See instructions)

(a) [ ]

(b) [ ]

3. SEC Use Only

4. Source of Funds (See instructions)

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5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e) [ ]

6. Citizenship or Place of Organization

Illinois Corporation

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	7	Sole Voting Power
Number of Shares	0	
Beneficially Owned by Each Reporting Person	8	Shared Voting Power
	1,141,200	shares
	9	Sole Dispositive Power
With	0	
	10	Shared Dispositive Power
	1,141,200	shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

1,141,200

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions) [ ]

13. Percent of Class Represented by Amount in Row (11)

2.4%

14. Type of Reporting Person (See instructions)

CO

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Item 1. Security and Issuer

This Schedule 13D relates to the Common Stock (the "Common Stock") issued by TCW Convertible Securities Fund, Ltd., an Investment Advisor (the "Company"), whose principal executive offices are located at 865 South Figueroa Street, Los Angeles, CA 90017.

Item 2. Identity and Background

(a) The statement is filed by Grace Brothers, Ltd., an Illinois limited partnership ("Grace"), Bradford T. Whitmore ("Whitmore") and Spurgeon Corporation ("Spurgeon") (the "Filers"). Whitmore and Spurgeon are the general partners of Grace.

(b) The business address of Grace and Whitmore is 1560 Sherman Avenue, Suite 900, Evanston, Illinois 60201. The business address of Spurgeon is 290 South County Farm Road, Third Floor, Wheaton, Illinois 60187.

(c) The principal business of Grace is to purchase, sell, invest, and trade in securities. Whitmore's principal occupation is that of being a general partner of Grace. The principal business of Spurgeon is that of being a general partner of Grace. The names, business addresses, and present principal occupation or employment of each director and executive officer of Spurgeon are set forth in Exhibit A hereto.

(d) None of the persons referred to in this Item 2 has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar

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misdemeanors).

(e) None of the persons referred to in this Item 2 has, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Grace is an Illinois limited partnership and Spurgeon is an Illinois corporation. Whitmore is a citizen of the United States.

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### Item 3. Source and Amount of Funds

The Common Stock beneficially owned by the Filers was purchased with working capital and partnership funds.

### Item 4. Purpose of Transaction.

On November 9, 2005, Grace sent a letter to the Board of Directors of the Company regarding the Company's annual proxy statement filed for the annual meeting scheduled for September 29, 2005. See Exhibit B.

At the September 29 meeting, it was adjourned until November 1, due to the fact that the Company did not receive sufficient votes to amend various of the Fund's investment restrictions, objectives and policies, as well as to amend the Fund's investment management agreement. On November 2, the Company issued a press release stating that at the November 1 meeting, shareholders had approved those amendments relating to the Fund's investment restrictions, objectives and policies. However, the final proposal for shareholder vote, that of amending the Fund's investment management agreement with TCW Investment Management Company ("TCW") (the current investment advisor to the Fund), was not approved by the shareholders. As a result, the Company, yet again, adjourned the annual meeting until November 18 in order to allow the continued solicitation of shareholders to gain approval of this final proposal.

This proposal being pushed by the Company, which continued solicitation expenses are being paid by us, the shareholders, would result in the granting of additional fees to TCW at the expense of the shareholders. The logic provided by the Company's Board, of which each member has recommended that we, the shareholders approve, is as follows:

The Fund has decided that it can produce better results if it is able to lever up the Fund, by issuing securities senior to our common stock, or by borrowing money. However, as a result of this fundraising, it now has more money to invest, and therefore should be paid more fees. Therefore, they want us to approve an amendment to the investment management agreement to base fees on total

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assets managed, and not just the equity in the Fund.

First of all, leveraging up the Fund will not necessarily produce better results for the common shareholders. It will amplify the results; if basic performance is good, it will make it better, and if basic performance is bad, it will make it worse. If the investment advisor decides that it wants to lever the fund, that's a choice it can make (as a result of the approval of amendments at the November 1 meeting). But, again, it's their choice. To pay them more in fees just because they decide to borrow money, at their sole discretion, is wrong. They should always be working to provide good results for us, and if they determine that that involves borrowing, so be it. To pay them more of our money as a results of this voluntary leveraging on their part is something we would never support, and therefore we are voting against this proposal.

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The purpose of the acquisition of shares of Common Stock is for investment; the acquisition was made in the ordinary course of Grace's business and was not made for the purpose of acquiring control of the Company.

Except as set forth herein, the Filers have no plans or proposals which relate to, or would result in, any of the matters referred to in Paragraphs (a) through (j), inclusive, of Item 4 of the Schedule 13D. The Filers may, at any time and from time to time, review or reconsider their investment in the Company and formulate plans or proposals with respect thereto, but have no present intention of doing so.

### Item 5. Interest in Securities of the Issuer

(a) Grace beneficially owns 1,141,200 shares of Common Stock, representing approximately 2.4% of the outstanding shares of Common Stock. As general partner of Grace, Spurgeon may be deemed the beneficial owner of 1,141,200 shares of Common Stock, or 2.4% of the outstanding shares of Common Stock, although they otherwise disclaim beneficial ownership. As general partner of Grace, Whitmore may be deemed the beneficial owner of 1,141,200 shares of Common Stock, or 2.4% of the outstanding shares of Common Stock.

(b) Grace: shared voting power (with Whitmore and Spurgeon)  
1,141,200 Shares of Common Stock;

Whitmore: shared voting power (with Grace and Spurgeon)  
1,141,200 Shares of Common Stock;  
and

Spurgeon: shared voting power (with Grace and Whitmore)  
1,141,200 Shares of Common Stock;  
and

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(c) Transactions in the Company's Common Stock effected by the Filer during the past 60 days are set forth in Schedule A.

(d) No person other than the Filers is known to have the right to receive, or the power to direct the receipt of, dividends from or the proceeds from the sale of the Shares.

(e) N/A

Item 6. Contracts, Arrangements, Understandings or Relationships with respect to Securities of the Issuer

There are no contracts, arrangements, understandings or other relationships with respect to any securities of the Company.

Item 7. Items to be Filed as Exhibits

Exhibit A - Directors and Executive Officers of Spurgeon Corporation

Exhibit B - Letter to the Directors of TCW Convertible Securities Fund, Inc.

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this Statement with respect to it is true, complete and correct.

Dated: November 9, 2005

Grace Brothers, Ltd.

By: /s/ Bradford T. Whitmore  
Name: Bradford T. Whitmore  
Its: General Partner

Bradford T. Whitmore

By: /s/ Bradford T. Whitmore  
Name: Bradford T. Whitmore

Spurgeon Corporation

By: /s/ Jerald A. Trannel  
Name: Jerald A. Trannel  
Its: Vice President

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SCHEDULE A

TRADE ACTIVITY FOR TCW CONVERTIBLE SECURITIES FUND, INC.  
EFFECTED BY GRACE BROTHERS, LTD. FOR THE PREVIOUS 60 DAYS.

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Date	Security	Amount of Shares Purchased	Price per Share
10/25/2005	Common Stock	200	\$4.84
10/26/2005	Common Stock	2,000	\$4.82
10/31/2005	Common Stock	600	\$4.85
10/31/2005	Common Stock	2,000	\$4.86
10/31/2005	Common Stock	4,000	\$4.87
10/31/2005	Common Stock	100	\$4.90
10/31/2005	Common Stock	1,000	\$4.91
10/31/2005	Common Stock	8,000	\$4.93
10/31/2005	Common Stock	2,100	\$4.89
11/02/2005	Common Stock	2,000	\$4.80
11/02/2005	Common Stock	3,600	\$4.83
11/02/2005	Common Stock	1,400	\$4.84
11/02/2005	Common Stock	4,600	\$4.85
11/03/2005	Common Stock	400	\$4.90
11/03/2005	Common Stock	1,900	\$4.93
11/03/2005	Common Stock	2,900	\$4.94
11/03/2005	Common Stock	6,700	\$4.95
11/03/2005	Common Stock	5,000	\$4.92
11/04/2005	Common Stock	200	\$4.90
11/04/2005	Common Stock	2,400	\$4.91
11/04/2005	Common Stock	4,800	\$4.92
11/07/2005	Common Stock	1,600	\$4.90
11/07/2005	Common Stock	3,900	\$4.92
11/08/2005	Common Stock	2,700	\$4.93

### Exhibit A Directors and Officers of Spurgeon Corporation

Judith M. Van Kampen  
290 South County Farm Road  
3rd Floor  
Wheaton, IL 60187  
Director of Spurgeon. Trustee of Judith M. Van Kampen  
Trust which is Manager of Van Kampen Asset Management  
Company, LLC.

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Karla M. Van Kampen-Pierre  
290 South County Farm Road  
3rd Floor  
Wheaton, IL 60187  
Director of Spurgeon. Trustee of Judith M. Van Kampen  
Trust which is Manager of Van Kampen Asset Management  
Company, LLC.

David Wisen  
120 Washington St.  
Grand Haven, MI 49417-0070  
Director and President of Spurgeon. President of Van  
Kampen Asset Management Company, LLC.

Jerald A. Trannel  
290 South County Farm Road  
Third Floor



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Wheaton, IL 60187  
Vice President and Treasurer of Spurgeon. Controller  
of Grace Brothers, Ltd. and Senior Vice President and  
Treasurer of Van Kampen Asset Management Company, LLC.

Gregory M. White  
290 South County Farm Road  
Third Floor  
Wheaton, IL 60187  
Secretary of Spurgeon. Secretary of Van Kampen Asset  
Management Company, LLC.

All are United States Citizens.

The Business address of Van Kampen Asset Management  
Company, LLC is 290 South County Farm Road, Third Floor,  
Wheaton, IL 60187. The principal business of Van Kampen  
Asset Management Company, LLC is investment and asset  
management.

Exhibit B  
Letter to the Board of Directors of TCW Convertible  
Securities Fund, Inc.

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November 8, 2005

The Directors of TCW Convertible Securities Fund, Inc.  
Samuel P. Bell, Richard W. Call, Matthew K. Fong, John  
Gavin, Patrick C. Haden, Charles A. Parker, Ernest  
O. Ellison, Robert G. Sims  
865 South Figueroa Street  
Los Angeles, CA 90017

Gentlemen:

We are holders of in excess of 1.1 million shares of the  
TCW Convertible Securities Fund, Inc. ("CVT"). We may be  
your largest shareholder. As such, we were very  
interested in your annual proxy statement filed for the  
annual meeting scheduled for September 29, 2005. As  
holders, we have experienced the dismal return which CVT  
has provided to its shareholders, both on a net asset value  
as well as a market value basis. As we're sure you are  
well aware, the trading discount to net asset value is a  
true indication of how shareholders feel about the  
prospects your investment advisor has provided and will  
provide if left to continue with the management of the  
fund. The current market discount to net asset value  
conveys a STRONG dislike for the performance your chosen  
investment advisor has provided. To put it in perspective,  
the market discount to NAV implies that your advisor  
provides a NEGATIVE value of 9 percent of the funds net  
asset value, or approximately \$23 million. As you are of  
course aware, that negative value would immediately go  
away, and inure to the benefit of the CVT shareholders, if  
you would either open-end the fund, or liquidate the fund.  
Obviously, you will never recommend either of those, as

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doing so would significantly reduce the fees you get from us upon an open-ending, with its corresponding reduction of assets under management (due to redemptions), or would cause the fees to totally disappear in the case of a liquidation of the fund.

The proxy dealt with a number of issues, such as borrowing by the Fund, issuing senior securities, expanding the type of securities in which the Fund may invest, allowing for the purchase or sale of call options, and PROVIDING THAT FEES PAID UNDER THE MANAGEMENT AGREEMENT WILL BE BASED ON ALL MANAGED ASSETS. This last request, which you've ALL recommended that we vote for, is truly remarkable.

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First of all, you want shareholders to allow you to issue securities senior to our common stock, and/or borrow money to support leveraging up our equity. Leveraging, of course, is a double-edged sword. If the return provided by the incremental investment made as a result of additional borrowing is lower than the cost of the borrowing, then this activity actually lowers the return to the common shareholders. Of course, it could go the other way: an incremental return in excess of the cost of borrowing would enhance the return to the common shareholders. In this way, one could argue that leveraging can be either a good thing or a bad thing, depending on the incremental return on investment vs. the incremental cost of funds.

However, an unambiguously negative proposition for shareholders is your proposal that FEES BE PAID BASED ON ALL MANAGED ASSETS, BOTH UNLEVERED AND LEVERED. THIS IS AKIN TO GIVING THE MANAGEMENT COMPANY A CHECK MADE OUT TO THEM, AND LETTING THEM JUST FILL IN HOW MUCH OF OUR PROPERTY THEY WANT TO TAKE FROM US. IT IS WRONG, AND YOU, AS OUR FIDUCIARIES, KNOW BETTER. IF YOU ARE TRULY LOOKING OUT FOR OUR INTEREST, HOW CAN YOU PROPOSE THAT THE FUND BE ABLE TO LEVERAGE UP ITS BALANCE SHEET, AND THEN USE THAT TO ARRIVE AT THE CONCLUSION THAT "IT WOULD NOT BE APPROPRIATE TO TAKE ACTIONS THAT INCREASE ASSETS WHICH THE ADVISOR IS OBLIGED BY THE AGREEMENT TO MANAGE WITHOUT PROVIDING PROPORTIONAL ADDITIONAL COMPENSATION" (proxy: page 16). It is absurd to modify the Fund's investment restrictions to ALLOW the management company to lever up the balance sheet (an action with uncertain results for shareholders), and then conclude that now that they have more work to do, they should get paid more (unambiguously negative for shareholders). No one is making them lever up the balance sheet. It's their choice. But I can tell you with certainty that if they get more money by leveraging it up, lever they will. YOU ARE PROVIDING YET ANOTHER WAY FOR THE ADVISORS TO TAKE MONEY OUT OF OUR ASSET BASE. WORSE, THESE ARE THE SAME ADVISORS WHO HAVE BEEN MIS-MANAGING THE FUND'S ASSETS FOR QUITE SOME TIME, RESULTING IN UNDER-PERFORMANCE BOTH ON A NET ASSET BASIS AS WELL AS A MARKET VALUE BASIS.

Obviously, I'm not the only shareholder who shares this view. Clearly, your decision to adjourn the annual meeting YET AGAIN until November 18th to "provide additional time

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to solicit the necessary votes to approve a fourth proposal...to provide that fees paid under the Agreement be based on all managed assets" indicates that you aren't getting your desired support for this change. It is such a waste of money to continue to have Georgeson Shareholder Communications, Inc. ("Georgeson") attempt to convince shareholders to support this proposal JUST SO THE MANAGER CAN TAKE MORE OF OUR MONEY. (As the proxy states, Georgeson has been retained by the Fund.) YOU ARE TAKING MONEY OUT OF OUR FUND TO PAY GEORGESON TO SPEND TIME TRYING TO CONVINCING SHAREHOLDERS TO ALLOW THE MANAGER TO TAKE MORE OF OUR MONEY. IS THAT WHAT YOUR FIDUCIARY DUTY IS ALL ABOUT? ONE TRULY HAS TO WONDER WHERE YOUR LOYALTIES LIE.

SHAME ON YOU.

Sincerely,

Bradford T. Whitmore  
General Partner