

Special Value Continuation Partners, LP  
Form PRE 14A  
March 08, 2011

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

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**SPECIAL VALUE CONTINUATION FUND, LLC  
SPECIAL VALUE CONTINUATION PARTNERS, LP**

(Name of Registrant as Specified In Its Charter)

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# PRELIMINARY CONSENT SOLICITATION MATERIALS SUBJECT TO COMPLETION

March , 2011

Dear Shareholder:

The Boards of Directors (each, a Board ) of Special Value Continuation Fund, LLC ( SVCF ) and Special Value Continuation Partners, LP ( SVCP ) (each, a Fund ) are soliciting your consent on behalf of the Funds. The notice of action by written consent and the joint consent solicitation statement accompanying this letter discuss in more detail each proposal for which we are requesting your consent.

As you know, the Funds are currently registered as non-diversified, closed-end management investment companies under the Investment Company Act of 1940 (the 1940 Act ). We recommend conversion (the Conversion ) of the Funds into business development companies ( BDCs ) under the 1940 Act to be accompanied by an initial public offering of additional common shares of SVCF (the IPO ). Upon completion of the Conversion and the IPO, SVCF will be a Delaware corporation and we anticipate that SVCF's shares will be publicly traded on The NASDAQ Global Select Market ( NASDAQ ). We believe that the Conversion and the IPO may benefit the Funds by increasing their size, profile, ability to transact business and make investments and ability to utilize SVCP's existing leverage facility. These actions also may benefit current shareholders of SVCF who would wish to sell their interests after an appropriate lock-up period, if required by the underwriters of the IPO. In connection with the IPO, affiliates of Tennenbaum Capital Partners, LLC ( TCP ), the investment adviser of the Funds, will agree to a three year lock-up period for their interests in SVCF. In addition, the general partner of SVCP, SVOF/MM, LLC (the GP ), will not earn any carried interest until January 1, 2013.

Broadly speaking, BDCs are a specialized type of closed-end investment company that invest at least 70% of their assets in securities of private and small capitalization U.S. companies that are not primarily engaged in financial businesses such as banking, insurance and dealing in securities. A comparison of registered closed-end funds and business development companies is included in the accompanying joint consent solicitation statement.

The Conversion will not affect the tax status of the Funds. SVCP will continue to be treated as a partnership and SVCF will continue to be treated as a regulated investment company ( RIC ) for U.S. federal income tax purposes. As a RIC, SVCF is not taxed on its income to the extent that it distributes such income each year to investors on a timely basis and satisfies other applicable tax requirements. The Funds will also continue to be treated as not holding plan assets for purposes of the Employment Retirement Income Security Act of 1976, and non-U.S. investors will continue to be subject to U.S. tax withholding on distributions only to the extent required by U.S. tax law.

In preparation for the Conversion and the IPO, including compliance with applicable laws and the listing requirements for NASDAQ, we seek shareholder approval of a nominee to the Board of each Fund. At a meeting of the Boards held on January 28, 2011, each Board appointed Eric Draut as a Director effective February 1, 2011 and approved the nomination of Mr. Draut on behalf of its respective Fund (the Board Nominee ), subject to approval by the Fund's shareholders. The Boards have reviewed the qualifications and background of the Board Nominee and believe that his election is in your best interests.

Enclosed for your review is a joint consent solicitation statement that describes the Conversion in detail, the key changes that will be implemented in connection with the Conversion and the proposals requiring consent from

shareholders to allow for the Conversion (the Conversion Proposals ) and the election of the Board Nominee (the Board Nominee Proposals and together with the Conversion Proposals, the Proposals ). Each Board has unanimously approved all of the Proposals and the various actions to be taken and urges you to consent to all the Proposals as well. **Each Board has conditioned implementation of the Conversion Proposals upon shareholders approving all of the Conversion Proposals and the success of the proposed IPO, such that if not all of the Conversion Proposals are consented to by shareholders and the IPO is not successful, then none will be implemented and the Conversion and the IPO will not occur.** Of course, no assurance can be given that we will be able to complete the IPO. Implementation of the Board Nominee Proposals is not conditioned on the implementation of the Conversion Proposals.

**Enclosed for your vote is a consent card. It is important that you be represented in this action by written consent. Please complete, sign, date and return your consent card to us promptly by emailing it to us at *investor.relations@tennenbaumcapital.com*, faxing it to us at (310) 566-1010 or returning it in the enclosed, postage-prepaid envelope at your earliest convenience. Your vote is very important to us. I urge you to submit your consent card as soon as possible.**

If you have any questions about the Proposals, please call Elizabeth Greenwood, Secretary and Chief Compliance Officer of the Funds at (310) 566-1043.

Sincerely,

Howard M. Levkowitz  
Director and President of the Funds

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# IMPORTANT INFORMATION FOR FUND MEMBERS AND PARTNERS

While we encourage you to read the full text of the enclosed joint consent solicitation statement, for your convenience we have provided a brief overview of the matters to be voted on.

## Questions and Answers

**Q: Why am I being asked to approve the Proposals?**

You are being asked to vote upon the Proposals in connection with the Conversion, the IPO and the election of the A: Board Nominee. In determining that the Conversion is in the best interests of shareholders, the Boards considered a number of potential benefits to shareholders, including, but not limited to:

As a publicly traded BDC, SVCF may tap a larger pool of investment capital, providing the Funds with increased investment opportunities.

While structured somewhat differently, the total management and administrative compensation payable to TCP and the GP after the Conversion will be at approximately the same overall levels as the current advisory fees.

As a BDC with more assets, the Funds may be able to better utilize SVCF's existing leverage facility and access other leverage options.

The Conversion will alleviate transfer restrictions on SVCF common shares, and should provide shareholders with increased liquidity.

The Conversion and the IPO will increase the Funds' profile, which may contribute to increased investment opportunities.

To facilitate compliance with the 1940 Act and NASDAQ listing requirements, the Boards are proposing the election of Mr. Draut.

**Q: Why am I receiving the joint consent solicitation statement?**

You are receiving the joint consent solicitation statement and enclosed consent card because, as of March 1, 2011, the record date for this action by written consent, you owned membership interests or preferred limited partner interests, both of which we refer to as shares, in either SVCF or SVCP. Only holders of record as of the close of A: business on March 1, 2011 will be entitled to vote those shares by written consent. The joint consent solicitation statement describes in detail the issues on which we would like you, as a shareholder, to vote. It also provides you with important information about these issues to enable you to make an informed decision as to whether to vote your shares for the matters described herein.

**Q: Who is entitled to vote on each Proposal?**

All common shareholders of SVCF are being asked to vote on Proposals 1(a), 1(b), 2(a) and 3(a), and the preferred shareholders of SVCP are being asked to vote on the Proposals 2(b), 2(c) and 3(b) along with the shareholders of A: SVCF (voting SVCF's interests in SVCP) as a single class. SVCF owns 100% of the common equity interests in SVCP. However, SVCF will pass-through its votes to its common shareholders and vote all of its interests in SVCP in the same proportion and the same manner as shareholders vote their shares of SVCF.

*SVCF shareholders:* First, you are being asked to consent to an amendment to SVCF's operating agreement to add a section that allows SVCF to convert from a Delaware limited liability company to a Delaware corporation with requisite shareholder approval (Proposal 1(a)). In connection with this proposal, you will also be asked to consent to the actual conversion of SVCF from a Delaware limited liability company to a Delaware corporation (Proposal 1(b)). You will be the only shareholders voting on each of these proposals. Second, you are being asked to consent to a new investment advisory agreement for each Fund, which will modify the investment management fee payable to the

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Funds investment adviser, TCP, under the current advisory agreements (Proposals 2(a) and 2(b)). Thirdly, you are being asked to consent to the amended and restated limited partnership agreement of SVCP to amend the

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incentive distribution payable to the GP and provide SVCP with a perpetual existence (Proposal 2(c)). Only the SVCF shareholders will be voting on the proposal to consent to the new investment advisory agreement between SVCF and TCP. The SVCF shareholders will also be voting on the proposals to consent to the new investment advisory agreement between SVCP and TCP and to consent to the amended and restated limited partnership agreement of SVCP together as a single class with the preferred shareholders of SVCP. The fee changes are not expected to negatively affect shareholders of SVCF and, in fact, would have resulted in lower fees had the changes been in effect during the last two fiscal years. Finally, you are being asked to elect the Board Nominee to the Boards of SVCF and SVCP (Proposals 3(a) and 3(b)). The SVCF shareholders will be voting on the election of the Board Nominee to the Board of SVCF, and will be voting on the election of the Board Nominee to the Board of SVCP along with the preferred shareholders of SVCP.

*SVCP preferred shareholders:* You are being asked to consent to a new investment advisory agreement for SVCP, which will modify the investment management fee payable to SVCP's investment adviser, TCP, under the current advisory agreement (Proposal 2(b)). You are also being asked to consent to the amended and restated limited partnership agreement of SVCP to amend the incentive distribution payable to the GP and provide SVCP with the same perpetual existence as SVCF will have (Proposal 2(c)). The fee changes are not expected to negatively affect shareholders of SVCP and, in fact, would have resulted in lower fees had the changes been in effect during the last two years. Finally, you are being asked to elect the Board Nominee to the Board of SVCP (Proposal 3(b)). You will be voting on each of these proposals together as a single class with the shareholders of SVCF.

**Q: How did the Boards vote on the Proposals?**

A: Each Fund's Board unanimously approved the Proposals and the Conversion. However, the Conversion Proposals will not be implemented and the Conversion will not occur unless and until all Conversion Proposals have been approved by written consent by the requisite number of shareholders of the Funds and the proposed IPO is completed.

**Q: Why did the Boards approve the Conversion Proposals and the Conversion?**

A: Each Fund's Board examined a number of factors before unanimously approving the Conversion Proposals and the Conversion, including without limitation the potential for increased size, profile, ability to transact business and make investments, increased flexibility to utilize leverage, including SVCP's existing leverage facility, and the prospects of remaining a registered closed-end fund as opposed to converting to a BDC. After considering the alternatives, the Boards determined that the Conversion was in the best interests of the Funds and their shareholders. Details regarding the Boards' considerations and recommendations with respect to the Conversion Proposals and the Conversion are in the enclosed joint consent solicitation statement.

**Q: How will a consent to the Conversion Proposals affect shareholders?**

A: If all of the Conversion Proposals are approved by written consent and SVCF's proposed IPO is completed, the Funds will convert to BDCs. BDCs are a specialized type of closed-end investment company regulated under the 1940 Act. In many regards, the regulations imposed upon BDCs are similar to those imposed upon registered closed-end funds. The main differences between BDCs and registered closed-end funds relate to the more specialized investments a BDC can make, the greater amount and types of debt a BDC can have outstanding and the ability of a BDC to issue convertible securities. As BDCs, the Funds will be required to invest at least 70% of their assets in private or small domestic companies engaged primarily in non-financial businesses as well as in cash items, U.S. Government securities and high quality short term debt securities (and will be required to offer managerial assistance to such companies). The Funds' current portfolio satisfies these requirements. In addition, a BDC can have multiple classes of debt outstanding and can incur a greater amount of leverage in the form of debt (as opposed to preferred stock), while a registered closed-end fund can only have one class of debt outstanding. Please see Appendix A to the attached joint consent solicitation statement for a more detailed comparison.





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In connection with converting to a BDC, SVCF will convert from a Delaware limited liability company to a Delaware corporation. The rights of a shareholder in SVCF as a corporation are different from their rights as a member of a limited liability company. The attached joint consent solicitation statement describes these differences. Upon conversion from a limited liability company to a corporation, owners of common limited liability company interests in SVCF will receive shares of the corporation's common stock with an aggregate net asset value equal to the aggregate net asset value of limited liability company interests owned by the shareholder on the conversion date, less the costs of the conversion and less the amount of any cash distributed for their fractional common shares. Immediately after conversion, the net asset value per share is expected to be in the range of the public offering price of common shares of SVCF in the public offering, without regard to sales commissions that may be payable to the underwriters. Any fractional share will be paid to you in cash. Preferred limited liability company interests in SVCF will be redeemed prior to SVCF's conversion to a corporation. Preferred partnership interests in SVCF will remain outstanding as preferred partnership interests of SVCF or be exchanged for other leverage instruments with similar economic terms.

If the IPO is completed, shareholders of SVCF who are not affiliates of SVCF will be able to sell their shares at any time without restriction following an appropriate lock-up period, if required by the underwriters of the IPO, assuming there is a willing purchaser and subject to applicable securities laws. In addition, SVCF intends to apply to have its common shares approved for listing on NASDAQ under the symbol "TCPC" and, accordingly, will be subject to the rules of NASDAQ. Shareholders of SVCF who are affiliates of SVCF will agree to a three year lock-up of their shares.

### **Q: How will the Funds be managed after the Conversion?**

The Funds' investment objectives and core investment strategy will not change following the Conversion, except that the Funds will focus their target investment allocations more on current income producing investments and less on distressed investments. The Funds' investment objective is to seek to achieve high total returns while minimizing losses. The Funds seek to achieve their investment objective primarily through investments in debt securities of leveraged middle-market companies. While the Funds intend to focus on leveraged loans in middle-market companies, they may make investments in debt securities of all kinds and at all levels of the capital structure, including equity interests such as preferred or common stock and warrants or options received in connection with debt investments. From time to time, the Funds may also invest in other financial instruments to hedge currency or interest rate risks or to enhance the overall return of the portfolio. The Funds expect to generate returns through a combination of contractual interest payments on debt investments, equity appreciation (through options, warrants, conversion rights or direct equity investments), and origination and similar fees. The Funds will adhere to the portfolio requirements applicable to BDCs under the 1940 Act rather than to certain restrictions applicable to them as closed-end funds. These changes are not expected to adversely affect portfolio decisions.

### **Q: Will the Funds have the same investment adviser and portfolio managers after the Conversion?**

TCP (which has been the Funds' investment adviser since their inception in July 2006) and the GP (which has been SVCF's general partner since its inception) will remain the Funds' investment adviser and SVCF's general partner, respectively. Babson Capital Management, LLC (Babson), the Funds' current co-advisor, will no longer serve as co-advisor after the Conversion. Babson's termination as co-advisor is not expected to have a material adverse effect on the Funds.

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**Q: How will the Conversion affect the Funds' expenses?**

The Boards do not expect the Conversion to materially increase the Funds' annual operating expenses. Because advisory fees will be calculated on a more narrowly defined asset base, they are expected to represent a lower percentage of total assets than they would under the current agreements, based on asset levels in 2009 and 2010. Expenses associated with being a publicly traded company will likely cause some added expenses. In general though, expenses, including administrative fees, are not expected to be materially different.

**Q: What will be the U.S. federal income tax consequences of the Conversion?**

Neither the Funds nor their shareholders will realize any gain or loss for U.S. federal income tax purposes as a result of the Conversion, and the Conversion will not affect a shareholder's holding period(s) or adjusted tax basis in its shares of the Funds. The Funds have accumulated capital loss carryforwards which will continue to be available to offset capital gains incurred by the Funds after the Conversion, subject to potential limitation on the use of such capital loss carryforwards. The IPO will result in a dilution of potential benefits from the capital loss carryforwards to current shareholders.

**Q: What vote is required to approve the Proposals?**

A: Each Proposal requires approval of a majority of shares entitled to vote.

**Q: If the Conversion is approved by written consent, what is the timetable for the Conversion and the IPO?**

If approved by written consent, the Conversion will occur at or about the time of pricing of the IPO. TCP currently anticipates that the IPO would occur in 2011, although it is subject to market conditions and regulatory approvals and no assurance can be given that the IPO, and thus the Conversion, will be completed in 2011 or at all.

**Q: How do the Boards of the Funds recommend that I vote?**

The Boards have reviewed the Proposals and believe that approval of all of the Proposals is in the best interests of the shareholders. The Boards have approved all of the Proposals in the joint consent solicitation statement, believe that they are in your best interests and recommend that you **CONSENT** to all of the Proposals.

**Q: Will my vote make a difference?**

A: Your vote is very important and can make a difference in the governance and management of the Funds, no matter how many shares you own. We encourage all shareholders to participate in the governance of their Funds.

**Q: Are the Funds paying for the cost of the joint consent solicitation statement?**

The costs associated with the joint consent solicitation statement, including the mailing and the consent solicitation costs, will be borne by the Funds. Additional out-of-pocket costs, such as legal expenses and auditor fees, incurred in connection with the preparation of the joint consent solicitation statement, also will be borne by the Funds.

**Q: How do I vote my shares?**

A: You may use the enclosed postage-paid envelope to mail your consent card, you may email your consent to us at [investor.relations@tennenbaumcapital.com](mailto:investor.relations@tennenbaumcapital.com), or you may fax your consent to (310) 566-1010.

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**Q: Whom do I call if I have questions?**

**A:** If you need more information, or have any questions about voting, please call Elizabeth Greenwood, Secretary and Chief Compliance Officer of the Funds, at (310) 566-1043.

Please vote now. Your vote is important.

To avoid the wasteful and unnecessary expense of further solicitation, we urge you to indicate your voting instructions on the consent card(s), date and sign it and promptly return it by emailing it to us at *investor.relations@tennenbaumcapital.com*, *faxing it to us at (310) 566-1010 or returning it in the postage-prepaid envelope provided, no matter how large or small your holdings may be. If your shares are held through a broker, you must provide voting instructions to your broker about how to vote your shares for your broker to vote your shares as you instruct. Abstentions and broker non-votes will be a vote against the Proposals.*

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# PRELIMINARY CONSENT SOLICITATION MATERIALS SUBJECT TO COMPLETION

March , 2011

## NOTICE OF ACTION BY WRITTEN CONSENT

The Boards of Directors of Special Value Continuation Fund, LLC ( SVCF ) and Special Value Continuation Partners, LP ( SVCP ) (each, a Fund ) are soliciting your consent on behalf of the Funds in connection with proposals (the Conversion Proposals ) to convert the Funds into business development companies ( BDCs ) under the Investment Company Act of 1940 (the 1940 Act ) to be accompanied by an initial public offering of additional common shares of SVCF (the IPO ), and to elect the nominee to the Boards of Directors of SVCF and SVCP (the Board Nominee Proposal and together with the Conversion Proposal, the Proposals ), each as more fully described in the accompanying joint consent solicitation statement.

### SVCF Proposals

The following table indicates the proposals requiring your consent to facilitate SVCF s conversion to a BDC and the class of shares solicited for each proposal.

Proposal	Description	Shares Entitled to Vote
Proposal 1	<b>Conversion of SVCF to a Delaware Corporation.</b>	
Proposal 1(a)	Consent to an amendment to the Operating Agreement of SVCF to include ability to convert to a corporation.	Common shareholders of SVCF.
Proposal 1(b)	Consent to conversion of SVCF from a Delaware limited liability company to a Delaware corporation governed by a new certificate of incorporation.	Common shareholders of SVCF.
Proposal 2	<b>New investment advisory agreement and compensation.</b>	
Proposal 2(a)	Consent to a new investment advisory agreement between SVCF and TCP at such time as SVCF becomes a BDC.	Common shareholders of SVCF.
Proposal 3	<b>Election of Directors.</b>	
Proposal 3(a)	Consent to the election of Eric Draut to the Board of Directors of SVCF.	Common shareholders of SVCF.

### SVCP Proposals

The following table indicates the proposals requiring your consent to facilitate SVCP s conversion to a BDC and the class of shares solicited for each proposal.

Proposal	Description	Shares Entitled to Vote
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Proposal 2	<b>New investment advisory agreements and compensation.</b>	
Proposal 2(b)	Consent to a new investment advisory agreement between SVCP and TCP at such time as SVCP becomes a BDC.	Common and preferred shareholders of SVCP voting together as a single class.*
Proposal 2(c)	Consent to the amended and restated limited partnership agreement of SVCP to amend the incentive distributions and the termination provision.	Common and preferred shareholders of SVCP voting together as a single class.*
Proposal 3	<b>Election of Directors.</b>	
Proposal 3(b)	Consent to the election of Eric Draut to the Board of Directors of SVCP.	Common and preferred shareholders of SVCP voting together as a single class.*

SVCF will pass-through its votes to its common shareholders and vote all of its interests in SVCP in the same proportion and the same manner as such shareholders vote their shares of SVCF. Accordingly, if you are a common shareholder of SVCF, you will be asked to consent to the SVCP Proposals on the consent card you receive in order for SVCP to vote its common shares in proportion to the votes received from SVCF shareholders.

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Each Conversion Proposal is conditioned on the other and the Conversion will not take place without approval by written consent of all of the Proposals.

**Your Board recommends that you CONSENT to all of the Proposals upon which you are being asked to vote.**

Shareholders of record of each Fund as of the close of business on March , 2011 are entitled to vote on the Proposals. Please cast your vote by promptly completing, signing, and returning the enclosed consent card by emailing it to us at *investor.relations@tennenbaumcapital.com*, faxing it to us at (310) 566-1010 or returning it in the enclosed postage-prepaid envelope.

If you have any questions about the Proposals, please call Elizabeth Greenwood, Secretary and Chief Compliance Officer of the Funds, at (310) 566-1043.

**YOUR VOTE IS IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. YOU CAN CONSENT EASILY AND QUICKLY BY EMAIL, FAX OR MAIL. A SELF-ADDRESSED, POSTAGE-PREPAID ENVELOPE HAS BEEN ENCLOSED FOR YOUR CONVENIENCE. PLEASE HELP AVOID THE EXPENSE OF A FOLLOW-UP MAILING BY VOTING TODAY!**

By Order of the Board of Directors,

Howard M. Levkowitz  
Director and President of the Funds

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SPECIAL VALUE CONTINUATION PARTNERS, LP**

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