

Special Value Continuation Fund, LLC
Form N-CSRS
September 07, 2011

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT
OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21936

SPECIAL VALUE CONTINUATION FUND, LLC
(Exact Name of Registrant as Specified in Charter)

2951 28TH STREET, SUITE 1000
SANTA MONICA, CALIFORNIA 90405
(Address of Principal Executive Offices) (Zip Code)

ELIZABETH GREENWOOD, SECRETARY
SPECIAL VALUE CONTINUATION FUND, LLC
2951 28TH STREET, SUITE 1000
SANTA MONICA, CALIFORNIA 90405
(Name and Address of Agent for Service)

Registrant's telephone number, including area code: (310) 566-1000

Copies to:
RICHARD T. PRINS, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
FOUR TIMES SQUARE
NEW YORK, NEW YORK 10036

Date of fiscal year end: DECEMBER 31, 2011

Date of reporting period JUNE 30, 2011

ITEM 1. reports to stockholders.

Semi-Annual Shareholder Report

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)
June 30, 2011

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Semi-Annual Shareholder Report

June 30, 2011

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Special Value Continuation Fund, LLC (the “Company”) files a schedule of its investment in Special Value Continuation Partners, LP (the “Partnership”) with the Securities and Exchange Commission (the “SEC”) for the first and third quarters of each fiscal year on Form N-Q. Investments listed in the Consolidated Statement of Investments are held by the Partnership, which also files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Forms N-Q of the Company and the Partnership are available on the SEC’s website at <http://www.sec.gov>. The Forms N-Q of the Company and the Partnership may also be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A free copy of the proxy voting guidelines of the Company and the Partnership and information regarding how the Company and the Partnership voted proxies relating to portfolio investments during the most recent twelve-month period may be obtained without charge on the SEC’s website at <http://www.sec.gov> or by calling the advisor of the Company and the Partnership, Tennenbaum Capital Partners, LLC, at (310) 566-1000. Collect calls for this purpose are accepted.

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Portfolio Asset Allocation (Unaudited)

June 30, 2011

Industry	Percent of Cash and Investments
Nonferrous Metal (except Aluminum) Production and Processing	10.5%
Wired Telecommunications Carriers	8.3%
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	7.1%
Business Support Services	5.8%
Scheduled Air Transportation	5.8%
Metal and Mineral (except Petroleum) Merchant Wholesalers	5.7%
Other Electrical Equipment and Component Manufacturing	4.7%
Radio and Television Broadcasting	4.4%
Accounting, Tax Preparation, Bookkeeping, and Payroll Services	4.2%
Architectural, Engineering, and Related Services	4.0%
Motion Picture and Video Industries	3.7%
Other Financial Investment Activities	3.3%
Electronic Shopping and Mail-Order Houses	3.2%
Full-Service Restaurants	2.8%
Other General Merchandise Stores	2.5%
Electric Power Generation, Transmission and Distribution	2.4%
Commercial and Industrial Machinery and Equipment Rental and Leasing	2.3%
Industrial Machinery Manufacturing	2.1%
Software Publishers	1.9%
Gambling Industries	1.5%
Aerospace Product and Parts Manufacturing	1.4%
Other Professional, Scientific, and Technical Services	1.4%
Sporting Goods, Hobby, Book, and Music Stores	1.2%
Semiconductor and Other Electronic Component Manufacturing	0.8%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	0.8%
Offices of Real Estate Agents and Brokers	0.8%
Support Activities for Mining	0.7%
Data Processing, Hosting, and Related Services	0.5%
Depository Credit Intermediation	0.5%
Communications Equipment Manufacturing	0.4%
Oil and Gas Extraction	0.3%
Other Amusement and Recreation Industries	0.0%
Support Activities for Air Transportation	0.0%
Cash and Cash Equivalents	5.0%
Total	100.0%

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Statement of Assets and Liabilities (Unaudited)

June 30, 2011

Assets	
Investments, at fair value:	
Unaffiliated issuers (cost \$393,828,289)	\$ 330,701,718
Controlled companies (cost \$26,711,048)	401,769
Other affiliates (cost \$86,500,042)	105,313,446
Total investments (cost \$507,039,379)	436,416,933
Cash and cash equivalents	22,918,600
Accrued interest income:	
Unaffiliated issuers	5,186,809
Affiliates	477,599
Deferred debt issuance costs	1,359,467
Receivable for investments sold	53,772
Prepaid expenses and other assets	1,248,723
Total assets	467,661,903
Liabilities	
Credit facility payable	68,000,000
Payable for investments purchased	569,103
Management and advisory fees payable	565,599
Unrealized depreciation on swaps	414,870
Unrealized depreciation on foreign currency forward contract	217,206
Interest payable	97,187
Payable to the Investment Manager	75,520
Accrued expenses and other liabilities	299,714
Total liabilities	70,239,199
Preferred equity facility	
Series A preferred limited partner interests in Special Value Continuation Partners, LP; \$20,000/interest liquidation preference; 6,700 interests authorized, issued and outstanding	
	134,000,000
Accumulated dividends on Series A preferred equity facility	392,078
Total preferred limited partner interests	134,392,078
Net assets applicable to common shareholders	\$ 263,030,626
Composition of net assets applicable to common shareholders	
Common stock, \$0.001 par value; unlimited shares authorized, 418,955.777 shares issued and outstanding	
	\$ 419
Paid-in capital in excess of par, net of contributed unrealized gains	364,742,957
Accumulated net investment income	15,034,577
Accumulated net realized losses	(45,655,679)
Accumulated net unrealized depreciation	(71,091,648)

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Net assets applicable to common shareholders	\$263,030,626
Common stock, NAV per share	\$627.82

See accompanying notes.

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Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Statement of Investments (Unaudited)

June 30, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Debt Investments (76.31%)				
Bank Debt (43.30%) (1)				
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (0.28%)				
NCO Group, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 5.5%, 2.5% LIBOR Floor, due 11/15/13	\$1,285,981	\$1,271,506	0.28	%
Business Support Services (5.52%)				
STG-Fairway Acquisitions, Inc., Senior Secured 1st Lien Term Loan, 13.5%, due 12/29/15	\$24,876,473	25,374,003	5.52	%
Commercial and Industrial Machinery and Equipment Rental and Leasing (2.27%)				
AerCap Holdings N.V., Secured 1st Lien Term Loan, 10.25%, due 12/3/15 - (Netherlands)	\$10,411,593	10,411,593	2.27	%
Communications Equipment Manufacturing (0.42%)				
Mitel US Holdings, Inc., 1st Lien Term Loan, LIBOR + 3.25%, due 8/16/14	\$2,000,000	1,911,250	0.42	%
Electric Power Generation, Transmission and Distribution (2.37%)				
La Paloma Generating Company, Residual Bank Debt Claim (3) Texas Competitive Electric Holdings Company, LLC, Extended Term Loan, LIBOR + 4.5%, due 10/10/17	\$1,830,453 \$13,847,866	63,163 10,828,533	0.01 2.36	% %
Total Electric Power Generation, Transmission and Distribution		10,891,696		
Electronic Shopping and Mail-Order Houses (3.15%)				
Shopzilla, Inc., Senior Secured 2nd Lien Term Loan, 13%, due 6/1/14	\$14,944,447	14,488,641	3.15	%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (0.77%)				
Precision Partners Holdings, 1st Lien Delayed Draw Term Loan, Prime + 6.5%, 4.5% Prime Floor, due 10/1/13	\$262,578	233,694	0.05	%
Precision Partners Holdings, 1st Lien Term Loan, Prime + 6.5%, 4.5% Prime Floor, due 10/1/13	\$3,694,807	3,288,379	0.72	%
		3,522,073		

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Total Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing

Motion Picture and Video Industries (3.70%)

CKX Entertainment Inc., Senior Secured Bridge Term Loan, LIBOR + 7%, 1.5% LIBOR Floor, due 6/21/12	\$17,032,016	16,972,404	3.70	%
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Offices of Real Estate Agents and Brokers (0.75%)

Realogy Corporation, 2nd Lien Term Loan A, 13.5%, due 10/15/17	\$3,261,809	3,462,955	0.75	%
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Other Financial Investment Activities (3.27%)

American Capital, Ltd., Senior Secured 1st Lien Term Loan, LIBOR + 5.5%, 2% LIBOR Floor, due 12/31/13	\$2,982,555	2,996,537	0.65	%
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Marsico Capital Management, Senior Secured 1st Lien Term Loan, LIBOR + 5%, due 12/14/14	\$16,696,931	12,049,624	2.62	%
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Total Other Financial Investment Activities		15,046,161		
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Other General Merchandise Stores (2.53%)

Conn Appliances, Inc., Term Loan, LIBOR + 11.5%, 3% LIBOR Floor, due 11/30/14	\$11,340,270	11,623,777	2.53	%
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Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)

Consolidated Statement of Investments (Continued) (Unaudited)

June 30, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)				
Radio and Television Broadcasting (4.22%)				
Encompass Digital Media, Inc., 1st Lien Term Loan, LIBOR + 6%, 1.75% LIBOR Floor, due 2/28/16	\$ 2,727,539	\$2,809,365	0.61	%
Encompass Digital Media, Inc., 2nd Lien Term Loan, 16.5%, due 8/28/16	\$ 15,468,845	16,087,599	3.50	%
Hubbard Radio, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 7.25%, 1.5% LIBOR Floor, due 4/11/18	\$ 500,000	509,375	0.11	%
Total Radio and Television Broadcasting		19,406,339		
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing (3.22%)				
Gundle/SLT Environmental, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 9.5% Cash + 2% PIK, 1.5% LIBOR Floor, due 11/27/16	\$ 15,000,000	14,812,500	3.22	%
Scheduled Air Transportation (4.58%)				
United Air Lines, Inc., Aircraft Secured Mortgage (N508UA), 20%, due 8/25/16	\$ 3,184,129	3,375,177	0.74	%
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16 (2)	\$ 506,082	696,116	0.15	%
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16 (2)	\$ 507,959	701,746	0.15	%
United Air Lines, Inc., Aircraft Secured Mortgage (N530UA), 20%, due 11/25/13	\$ 2,761,927	2,761,927	0.60	%
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14 (2)	\$ 428,141	504,351	0.11	%
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15 (2)	\$ 535,819	652,360	0.14	%
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16 (2)	\$ 596,420	823,954	0.18	%
United Air Lines, Inc., Aircraft Secured Mortgage (N659UA), 12%, due 3/28/16 (2)	\$ 4,999,483	5,686,912	1.24	%
United Air Lines, Inc., Aircraft Secured Mortgage (N661UA), 12%, due 5/4/16 (2)	\$ 5,102,312	5,852,352	1.27	%

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Total Scheduled Air Transportation		21,054,895		
Software Publishers (1.87%)				
EAM Software Finance Pty, Ltd., Senior Secured 1st Lien Tranche A Term Loan, BBSY + 2.25% Cash + 1.5% PIK, due 5/10/13 - (Australia) (4)	AUD3,062,730	3,277,291	0.71	%
EAM Software Finance Pty, Ltd., Senior Secured 1st Lien Tranche B Term Loan, BBSY + 2.25% Cash + 1.5% PIK, due 11/10/13 - (Australia) (4)	AUD4,985,422	5,334,679	1.16	%
Total Software Publishers		8,611,970		
Sporting Goods, Hobby, Book, and Music Stores (1.20%)				
Borders Group, Inc., Senior Secured Super Priority DIP Term Loan, LIBOR + 12.5%, 1% LIBOR Floor, due 2/16/12	\$ 5,517,550	5,517,550	1.20	%
Support Activities for Mining (0.09%)				
Trico Shipping AS, 1st Lien Term Loan A, LIBOR + 8.5%, 1.5% LIBOR Floor, due 5/13/14 - (Norway)	\$ 402,845	402,845	0.09	%
Trico Shipping AS, 1st Lien Term Loan B, LIBOR + 8.5%, 1.5% LIBOR Floor, due 5/13/14 - (Norway)	\$ 402,714	-	-	
Total Support Activities for Mining		402,845		

Special Value Continuation Fund, LLC
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Consolidated Statement of Investments (Continued) (Unaudited)

June 30, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)				
Wired Telecommunications Carriers (3.09%)				
Bulgaria Telecom Company AD, 1st Lien Tranche B Term Loan, EURIBOR + 2.75%, due 8/9/15 - (Bulgaria) (4)	€2,084,507	\$2,456,148	0.53	%
Integra Telecom Holdings, Inc., 1st Lien Term Loan, LIBOR + 7.25%, 2% LIBOR Floor, due 4/15/15	\$1,970,449	1,980,302	0.43	%
NEF Telecom Company BV, 1st Lien Tranche C Term Loan, EURIBOR + 3.5%, due 8/9/16 - (Netherlands) (4)	€4,927,730	5,306,049	1.16	%
NEF Telecom Company BV, 2nd Lien Tranche D Term Loan, EURIBOR + 5.5%, due 2/16/17 - (Netherlands) (3), (4)	€4,736,002	4,467,732	0.97	%
Total Wired Telecommunications Carriers		14,210,231		
Total Bank Debt (Cost \$188,142,570)		198,992,389		
Other Corporate Debt Securities (33.01%)				
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (3.85%)				
NCO Group, Inc., Senior Subordinated Notes, 11.875%, due 11/15/14	\$9,655,000	8,259,949	1.80	%
NCO Group, Inc., Senior Unsecured Floating Rate Notes, LIBOR + 4.875%, due 11/15/13	\$10,446,000	9,397,013	2.05	%
Total Accounting, Tax Preparation, Bookkeeping, and Payroll Services		17,656,962		
Aerospace Product and Parts Manufacturing (1.37%)				
Hawker Beechcraft, Inc., Senior Unsecured Notes, 8.5%, due 4/1/15	\$6,256,000	4,942,240	1.08	%
Hawker Beechcraft, Inc., Senior Unsecured Notes, 8.875%, due 4/1/15	\$1,668,000	1,316,286	0.29	%
Total Aerospace Product and Parts Manufacturing		6,258,526		
Architectural, Engineering, and Related Services (1.97%)				
Alion Science & Technology Corporation, Senior Secured Notes, 10% Cash + 2% PIK, due 11/1/14	\$3,232,459	3,336,965	0.73	%
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 18% PIK, due 3/31/15 (2), (5)	\$5,688,820	5,688,820	1.24	%
Total Architectural, Engineering, and Related Services		9,025,785		
Data Processing, Hosting, and Related Services (0.46%)				
GXS Worldwide, Inc., Fixed Notes, 9.75%, due 6/15/15	\$2,066,000	2,103,890	0.46	%

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Full-Service Restaurants (2.79%)

Real Mex Restaurants, Inc., Senior Secured Notes, 14%, due 1/1/13	\$ 13,161,000	12,821,315	2.79	%
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Gambling Industries (1.52%)

Harrah's Operating Company, Inc., 2nd Priority Secured Notes, 10%, due 12/15/18	\$ 7,695,000	6,992,831	1.52	%
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Industrial Machinery Manufacturing (1.52%)

GSI Group, Inc., Senior Secured Notes, 12.25% Cash or 13% PIK, due 1/15/14 (5)	\$ 6,980,907	6,980,907	1.52	%
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Metal and Mineral (except Petroleum) Merchant Wholesalers (5.74%)

Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16 (5)	\$ 12,500,000	12,980,250	2.83	%
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Edgen Murray Corporation, Senior Secured Notes, 12.25%, due 1/15/15	\$ 13,076,000	13,386,555	2.91	%
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Total Metal and Mineral (except Petroleum) Merchant Wholesalers		26,366,805		
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