

Special Value Continuation Fund, LLC
Form N-CSRS
September 01, 2009

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, 2009

Date of reporting period: JUNE 30, 2009

ITEM 1. REPORTS TO STOCKHOLDERS.

Semi-Annual Shareholder Report

Special Value Continuation Fund, LLC
(A Delaware Limited Liability Company)
June 30, 2009

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

Semi-Annual Shareholder Report

June 30, 2009

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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 (“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 Securities and Exchange Commission (“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)

Performance Summary

Fund Inception (July 31, 2006) through June 30, 2009

Fund Returns v. Merrill Lynch US High Yield and S&P 500 Indices (Unaudited)

| | Return on Equity (1) | | | 2009** | IRR (2) Annualized Inception-to-Date |
|-----------------------------------|----------------------|------|--------|--------|--|
| | 2006* | 2007 | 2008 | | |
| Special Value Continuation Fund | 8.2% | 9.2% | -48.8% | 5.5% | -11.6% |
| Merrill Lynch US High Yield Index | 7.3% | 2.2% | -26.2% | 29.0% | 1.4% |
| S&P 500 Total Return Index | 12.0% | 5.5% | -37.0% | 3.2% | -8.6% |

* Period from inception (July 31, 2006) through December 31, 2006

** Year to date

Past performance of Special Value Continuation Fund, LLC (the "Company") is not a guarantee of future performance. Company returns are net of dividends to preferred shareholders, performance allocations and Company expenses, including financing costs and management fees.

(1) Return on equity (net of dividends to preferred shareholders, performance allocations and Company expenses, including financing costs and management fees) calculated on a monthly geometrically liked, time-weighted basis. Returns are reduced in earlier periods because organizational costs and other expenses are high relative to assets.

(2) Internal rate of return ("IRR") is the imputed annual return over an investment period and, mathematically, is the rate of return at which the discounted cash flows equal the initial outlays. The IRR presented assumes a liquidation of the Company at net asset value as of the period end date.

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

Consolidated Portfolio Asset Allocation (Unaudited)

June 30, 2009

Portfolio Holdings by Investment Type (% of Cash and Investments)

Portfolio Holdings by Industry (% of Cash and Investments)

| | |
|--|--------|
| Wired Telecommunications Carriers | 13.9% |
| Other Electrical Equipment and Component Manufacturing | 12.1% |
| Data Processing, Hosting, and Related Services | 11.2% |
| Satellite Telecommunications | 9.7% |
| Architectural, Engineering, and Related Services | 8.9% |
| Nonferrous Metal (except Aluminum) Production and Processing | 7.5% |
| Other Information Services | 5.4% |
| Communications Equipment Manufacturing | 3.9% |
| Offices of Real Estate Agents and Brokers | 2.1% |
| Industrial Machinery Manufacturing | 1.8% |
| Semiconductor and Other Electronic Component Manufacturing | 1.7% |
| Motor Vehicle Manufacturing | 1.1% |
| Depository Credit Intermediation | 1.0% |
| Full-Service Restaurants | 1.0% |
| Nondepository Credit Intermediation | 0.8% |
| Grocery Stores | 0.7% |
| Other Amusement and Recreation Industries | 0.6% |
| Securities and Commodity Contracts Intermediation and Brokerage | 0.4% |
| Petroleum and Coal Products Manufacturing | 0.3% |
| Plastics Product Manufacturing | 0.3% |
| Computer and Peripheral Equipment Manufacturing | 0.2% |
| Radio and Television Broadcasting | 0.2% |
| Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing | 0.2% |
| Electric Power Generation, Transmission and Distribution | 0.1% |
| Gambling Industries | 0.1% |
| Metalworking Machinery Manufacturing | 0.1% |
| Support Activities for Air Transportation | 0.1% |
| Couriers and Express Delivery Services | 0.0% |
| Management, Scientific, and Technical Consulting Services | 0.0% |
| Other General Merchandise Stores | 0.0% |
| Tobacco Manufacturing | 0.0% |
| Cash and Cash Equivalents | 14.6% |
| Total | 100.0% |

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

Consolidated Statement of Assets and Liabilities

June 30, 2009

| | |
|---|----------------|
| Assets | |
| Investments, at fair value: | |
| Unaffiliated issuers (cost \$311,678,136) | \$ 191,839,211 |
| Controlled companies (cost \$36,752,796) | 11,874,828 |
| Other affiliates (cost \$123,842,333) | 133,258,499 |
| Total investments (cost \$472,273,265) | 336,972,538 |
| Cash and cash equivalents | 57,935,624 |
| Accrued interest income: | |
| Unaffiliated issuers | 3,553,743 |
| Controlled companies | 10,978 |
| Other affiliates | 320,807 |
| Receivable for investment securities sold | 10,384,197 |
| Deferred debt issuance costs | 2,240,044 |
| Prepaid expenses and other assets | 278,729 |
| Total assets | 411,696,660 |
| Liabilities | |
| Credit facility payable | 64,000,000 |
| Payable for investment securities purchased | 4,989,066 |
| Management and advisory fees payable | 565,599 |
| Unrealized depreciation on swaps | 474,069 |
| Interest payable | 69,314 |
| Payable to affiliate | 88,754 |
| Accrued expenses and other liabilities | 540,618 |
| Total liabilities | 70,727,420 |
| Preferred stock | |
| Series Z; \$500/share liquidation preference; 400 shares authorized, 47 shares issued and outstanding | 23,500 |
| Accumulated dividends on Series Z preferred stock | 948 |
| Total Series Z preferred stock | 24,448 |
| Preferred equity facility | |