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Special Value Continuation Fund, LLC

Form N-30B-2

December 09, 2011

Consolidated Financial Statements

(Unaudited)

Special Value Continuation Fund, LLC

(A Delaware Limited Liability Company)

September 30, 2011

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

Consolidated Financial Statements (Unaudited)

September 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)

September 30, 2011

Industry	Percent of Cash and Investments
Nonferrous Metal (except Aluminum) Production and Processing	11.8%
Wired Telecommunications Carriers	8.3%
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	6.9%
Business Support Services	6.7%
Metal and Mineral (except Petroleum) Merchant Wholesalers	6.0%
Radio and Television Broadcasting	5.7%
Scheduled Air Transportation	5.0%
Accounting, Tax Preparation, Bookkeeping, and Payroll Services	4.9%
Architectural, Engineering, and Related Services	4.7%
Data Processing, Hosting, and Related Services	4.2%
Motion Picture and Video Industries	4.1%
Electronic Shopping and Mail-Order Houses	3.6%
Full-Service Restaurants	3.2%
Communications Equipment Manufacturing	2.6%
Commercial and Industrial Machinery and Equipment Rental and Leasing	2.6%
Software Publishers	2.3%
Other Financial Investment Activities	2.0%
Aerospace Product and Parts Manufacturing	2.0%
Industrial Machinery Manufacturing	1.6%
Other Electrical Equipment and Component Manufacturing	1.4%
Oil and Gas Extraction	1.2%
Gambling Industries	1.2%
Electric Power Generation, Transmission and Distribution	1.0%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	1.0%
Support Activities for Mining	0.8%
Offices of Real Estate Agents and Brokers	0.8%
Semiconductor and Other Electronic Component Manufacturing	0.6%
Depository Credit Intermediation	0.3%
Other Amusement and Recreation Industries	0.0%
Cash and Cash Equivalents	3.5%
Total	100.0%

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

Consolidated Statement of Assets and Liabilities (Unaudited)

September 30, 2011

Assets	
Investments, at fair value:	
Unaffiliated issuers (cost \$387,866,786)	\$303,689,506
Controlled companies (cost \$26,711,048)	527,321
Other affiliates (cost \$68,604,573)	89,570,616
Total investments (cost \$483,182,407)	393,787,443
Cash and cash equivalents	14,170,852
Accrued interest income:	
Unaffiliated issuers	5,171,088
Affiliates	718,755
Receivable for investments sold	4,580,979
Deferred debt issuance costs	1,248,490
Prepaid expenses and other assets	1,291,624
Total assets	420,969,231
Liabilities	
Credit facility payable	29,000,000
Payable for investments purchased	13,349,115
Management and advisory fees payable	565,599
Unrealized depreciation on swaps	93,009
Interest payable	82,783
Payable to the Investment Manager	56,924
Accrued expenses and other liabilities	452,220
Total liabilities	43,599,650
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	424,268
Total preferred limited partner interests	134,424,268
Net assets applicable to common shareholders	\$242,945,313
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	14,963,815
Accumulated net realized losses	(47,097,536)
Accumulated net unrealized depreciation	(89,664,342)
Net assets applicable to common shareholders	\$242,945,313

Common stock, NAV per share	\$579.88
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See accompanying notes.

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

Consolidated Statement of Investments (Unaudited)

September 30, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Debt Investments (78.79%)				
Bank Debt (44.22%) (1)				
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (0.30%)				
NCO Group, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 5.5%, 2.5% LIBOR Floor, due 11/15/13	\$1,234,316	\$1,209,630	0.30	%
Aerospace Product and Parts Manufacturing (0.98%)				
Hawker Beechcraft, Inc., Senior Secured 1st Lien Series A New Term Loan, LIBOR + 8.5%, 2% LIBOR Floor, due 3/26/14	\$570,202	497,501	0.12	%
Hawker Beechcraft, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 2%, due 3/26/14	\$4,801,947	3,313,344	0.81	%
Hawker Beechcraft, Inc., Senior Secured Letters of Credit, LIBOR + 2%, due 3/26/14	\$296,941	204,889	0.05	%
Total Aerospace Product and Parts Manufacturing		4,015,734		
Business Support Services (6.31%)				
STG-Fairway Acquisitions, Inc., Senior Secured 1st Lien Term Loan, 13.5%, due 12/29/15	\$25,257,913	25,763,071	6.31	%
Commercial and Industrial Machinery and Equipment Rental and Leasing (2.55%)				
AerCap Holdings N.V., Secured 1st Lien Term Loan, 10.25%, due 12/3/15 - (Netherlands)	\$10,411,593	10,411,593	2.55	%
Communications Equipment Manufacturing (2.64%)				
Mitel US Holdings, Inc., 1st Lien Term Loan, LIBOR + 3.25%, due 8/16/14	\$10,411,593	1,742,200	0.43	%
Mitel US Holdings, Inc., 2nd Lien Term Loan, LIBOR + 7%, due 8/16/15	\$1,872,075	9,006,345	2.21	%
Total Communications Equipment Manufacturing		10,748,545		
Data Processing, Hosting, and Related Services (1.76%)				
The Telx Group, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 6.5%, 1.25% LIBOR Floor, due 9/22/17	\$7,500,000	7,162,500	1.76	%

Electric Power Generation, Transmission and Distribution
(1.04%)

La Paloma Generating Company, Residual Bank Debt Claim (3)	\$1,830,453	51,436	0.01	%
Texas Competitive Electric Holdings Company, LLC, Extended Term Loan, LIBOR + 4.5%, due 10/10/17	\$6,232,239	4,197,026	1.03	%
Total Electric Power Generation, Transmission and Distribution		4,248,462		

Electronic Shopping and Mail-Order Houses (3.39%)

Shopzilla, Inc., Senior Secured 2nd Lien Term Loan, 13%, due 6/1/14	\$13,948,150	13,843,539	3.39	%
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Machine Shops; Turned Product; and Screw, Nut, and Bolt
Manufacturing (1.02%)

Precision Partners Holdings, 1st Lien Delayed Draw Term Loan, Prime + 6.5%, 4.5% Prime Floor, due 10/1/13	\$290,510	270,174	0.07	%
Precision Partners Holdings, 1st Lien Term Loan, Prime + 6.5%, 4.5% Prime Floor, due 10/1/13	\$4,152,799	3,862,103	0.95	%
Total Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing		4,132,277		

Motion Picture and Video Industries (4.07%)

CKX Entertainment Inc., Senior Secured Bridge Term Loan, LIBOR + 7%, 1.5% LIBOR Floor, due 6/21/12	\$17,032,016	16,589,184	4.07	%
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Offices of Real Estate Agents and Brokers (0.79%)

Realogy Corporation, 2nd Lien Term Loan A, 13.5%, due 10/15/17	\$3,261,809	3,207,989	0.79	%
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Special Value Continuation Fund, LLC
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Consolidated Statement of Investments (Unaudited) (Continued)

September 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)				
Other Financial Investment Activities (2.05%)				
Marsico Capital Management, Senior Secured 1st Lien Term Loan, LIBOR + 5%, due 12/14/14	\$ 16,601,279	\$ 8,362,894	2.05	%
Radio and Television Broadcasting (4.88%)				
Encompass Digital Media, Inc., 1st Lien Term Loan, LIBOR + 6%, 1.75% LIBOR Floor, due 2/28/16	\$ 2,720,703	2,702,202	0.66	%
Encompass Digital Media, Inc., 2nd Lien Term Loan, 16.5%, due 8/28/16	\$ 15,956,220	16,746,053	4.10	%
Hubbard Radio, LLC, Senior Secured 2nd Lien Term Loan, LIBOR + 7.25%, 1.5% LIBOR Floor, due 4/11/18	\$ 500,000	486,250	0.12	%
Total Radio and Television Broadcasting		19,934,505		
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing (3.56%)				
Gundle/SLT Environmental, Inc., Senior Secured 2nd Lien Term Loan, LIBOR + 9.5% Cash + 2% PIK, 1.5% LIBOR Floor, due 11/27/16	\$ 15,033,219	14,507,057	3.56	%
Scheduled Air Transportation (3.45%)				
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16 (2)	\$ 492,046	665,247	0.16	%
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16 (2)	\$ 494,225	670,663	0.16	%
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14 (2)	\$ 401,613	466,273	0.11	%
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15 (2)	\$ 512,047	613,688	0.15	%
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16 (2)	\$ 580,294	787,749	0.19	%
United Air Lines, Inc., Aircraft Secured Mortgage (N659UA), 12%, due 3/28/16 (2)	\$ 4,799,885	5,371,072	1.32	%
United Air Lines, Inc., Aircraft Secured Mortgage (N661UA), 12%, due 5/4/16 (2)	\$ 4,908,744	5,539,517	1.36	%
Total Scheduled Air Transportation		14,114,209		

Software Publishers (2.28%)

Blackboard, Inc., Senior Secured 1st Lien Term Loan, LIBOR + 6%, 1.5% LIBOR Floor, due 9/23/18	\$ 10,000,000	9,315,000	2.28	%
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Support Activities for Mining (0.10%)

Trico Shipping AS, 1st Lien Term Loan A, LIBOR + 8.5%, 1.5% LIBOR Floor, due 5/13/14 - (Norway)	\$402,845	402,845	0.10	%
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
(A Delaware Limited Liability Company)

Consolidated Statement of Investments (Unaudited) (Continued)

September 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 (3.05%)				
Bulgaria Telecom Company AD, 1st Lien Tranche B Term Loan, EURIBOR + 2.75%, due 8/9/15 - (Bulgaria) (4)	€2,084,507	\$2,127,779	0.52	%
Integra Telecom Holdings, Inc., 1st Lien Term Loan, LIBOR + 7.25%, 2% LIBOR Floor, due 4/15/15	\$1,568,408	1,472,343	0.36	%
NEF Telecom Company BV, 1st Lien Tranche C Term Loan, EURIBOR + 3.5%, due 8/9/16 - (Netherlands) (4)	€4,927,730	4,733,169	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	4,121,056	1.01	%
Total Wired Telecommunications Carriers		12,454,347		
Total Bank Debt (Cost \$179,576,611)		180,423,381		
Other Corporate Debt Securities (34.57%)				
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (4.61%)				
NCO Group, Inc., Senior Subordinated Notes, 11.875%, due 11/15/14	\$9,655,000	8,882,600	2.18	%
NCO Group, Inc., Senior Unsecured Floating Rate Notes, LIBOR + 4.875%, due 11/15/13	\$10,446,000	9,923,700	2.43	%
Total Accounting, Tax Preparation, Bookkeeping, and Payroll Services		18,806,300		
Aerospace Product and Parts Manufacturing (1.03%)				
Hawker Beechcraft, Inc., Senior Unsecured Notes, 8.5%, due 4/1/15	\$7,448,000	3,206,438	0.79	%
Hawker Beechcraft, Inc., Senior Unsecured Notes, 8.875%, due 4/1/15	\$2,175,000	991,604	0.24	%
Total Aerospace Product and Parts Manufacturing		4,198,042		
Architectural, Engineering, and Related Services (2.43%)				
Alion Science & Technology Corporation, Senior Secured Notes, 10% Cash + 2% PIK, due 11/1/14	\$4,242,302	3,702,300	0.91	%
ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 18% PIK, due 3/31/15 (2), (5)	\$6,209,347	6,209,347	1.52	%

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Total Architectural, Engineering, and Related Services		9,911,647		
Data Processing, Hosting, and Related Services (2.28%)				
GXS Worldwide, Inc., Fixed Notes, 9.75%, due 6/15/15	\$2,066,000	1,958,113	0.48	%
The Telx Group, Inc., Senior Unsecured Notes, 10% Cash + 2% PIK, due 9/26/19 (5)	\$7,500,000	7,350,000	1.80	%
Total Data Processing, Hosting, and Related Services		9,308,113		
Full-Service Restaurants (3.17%)				
Real Mex Restaurants, Inc., Senior Secured Notes, 14%, due 1/1/13 (3)	\$13,161,000	12,924,102	3.17	%
Gambling Industries (1.20%)				
Harrah's Operating Company, Inc., 2nd Priority Secured Notes, 10%, due 12/15/18	\$8,169,000	4,880,978	1.20	%
Industrial Machinery Manufacturing (1.16%)				
GSI Group, Inc., Senior Secured Notes, 12.25% Cash or 13% PIK, due 1/15/14 (5)	\$4,714,907	4,714,907	1.16	%
Metal and Mineral (except Petroleum) Merchant Wholesalers (5.95%)				
Constellation Enterprises, LLC, Senior Secured 1st Lien Notes, 10.625%, due 2/1/16 (5)	\$12,500,000	12,437,500	3.05	%
Edgen Murray Corporation, Senior Secured Notes, 12.25%, due 1/15/15	\$13,076,000	11,837,572	2.90	%
Total Metal and Mineral (except Petroleum) Merchant Wholesalers		24,275,072		

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

Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount or Shares	Fair Value	Percent of Cash and Investments	
Debt Investments (continued)				
Nonferrous Metal (except Aluminum) Production and Processing (4.32%)				
International Wire Group Holdings, Inc., Senior Notes, 11.5% Cash or 12.25% PIK, due 4/15/15 (2), (5)	\$ 18,000,000	\$ 17,640,000	4.32	%
Oil and Gas Extraction (1.25%)				
Geokinetics Holdings, Inc., Senior Secured Notes, 9.75%, due 12/15/14	\$ 1,342,000	1,066,890	0.26	%
Saratoga Resources, Inc., Senior Secured Notes, 12.5%, due 7/1/16 (5)	\$ 4,000,000	4,020,000	0.99	%
Total Oil and Gas Extraction		5,086,890		
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing (3.34%)				
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/14	\$ 18,536,000	13,624,145	3.34	%
Wired Telecommunications Carriers (3.83%)				
ITC^DeltaCom, Inc., Senior Secured Notes, 10.5%, due 4/1/16 (5)	\$ 9,830,000	10,075,750	2.47	%
NEF Telecom Company BV, Mezzanine Term Loan, EURIBOR + 4.5% Cash + 7.5% PIK, due 8/16/17 - (Netherlands) (3), (4), (5)	€ 20,523,306	1,373,728	0.34	%
Zayo Group, LLC, Senior Secured 1st Lien Notes, 10.25%, due 3/15/17	\$ 3,933,000	4,144,399	1.02	%
Total Wired Telecommunications Carriers		15,593,877		
Total Other Corporate Debt Securities (Cost \$167,983,851)		140,964,073		
Total Debt Investments (Cost \$347,560,462)		321,387,454		
Equity Securities (17.73%)				
Architectural, Engineering, and Related Services (2.31%)				
Alion Science & Technology Corporation, Warrants (3)	3,225	170,119	0.04	%
ESP Holdings, Inc., 15% PIK, Preferred Stock (2), (5), (6)	20,297	3,186,281	0.78	%

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ESP Holdings, Inc., Common Stock (2), (3), (5), (6)	88,670	6,079,283	1.49	%
Total Architectural, Engineering, and Related Services		9,435,683		
Business Support Services (0.41%)				
STG-Fairway Holdings, LLC, Class A Units (3), (5)	80,396	1,660,578	0.41	%
Data Processing, Hosting, and Related Services (0.13%)				
Anacomp, Inc., Class A Common Stock (2), (3), (5), (7)	1,255,527	527,321	0.13	%
Depository Credit Intermediation (0.29%)				
Doral Financial Corporation, Common Stock (3)	1,077,795	1,174,797	0.29	%
Electronic Shopping and Mail-Order Houses (0.24%)				
Shop Holding, LLC, Class A Units (3), (5)	490,037	773,425	0.19	%
Shop Holding, LLC, Warrants to Purchase Class A Units (3), (5)	326,691	188,997	0.05	%
Total Electronic Shopping and Mail-Order Houses		962,422		
Industrial Machinery Manufacturing (0.42%)				
GSI Group, Inc., Common Stock (3), (5)	221,404	1,700,383	0.42	%

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

Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Shares	Fair Value	Percent of Cash and Investments	
Equity Securities (continued)				
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (0.00%)				
Precision Holdings, LLC, Class C Membership Interests (3), (5)	33	\$7,160	-	
Nonferrous Metal (except Aluminum) Production and Processing (7.48%)				
International Wire Group Holdings, Inc., Common Stock (2), (5), (6)	1,979,441	30,522,979	7.48	%
Other Amusement and Recreation Industries (0.03%)				
Bally Total Fitness Holding Corporation, Common Stock (3), (5)	6,058	86,024	0.02	%
Bally Total Fitness Holding Corporation, Warrants (3), (5)	10,924	52,435	0.01	%
Total Other Amusement and Recreation Industries		138,459		
Other Electrical Equipment and Component Manufacturing (1.41%)				
EPMC HoldCo, LLC, Membership Units (2), (5), (6)	1,312,720	5,762,841	1.41	%
Radio and Television Broadcasting (0.78%)				
Encompass Digital Media Group, Inc., Common Stock (3), (5)	183,824	3,187,507	0.78	%
Scheduled Air Transportation (1.47%)				
United Air Lines, Inc., Equipment Trust Beneficial Interests (N510UA) (2), (5), (6)	33	420,627	0.10	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N512UA) (2), (5), (6)	33	414,005	0.10	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N536UA) (2), (5), (6)	43	577,476	0.14	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N545UA) (2), (5), (6)	37	528,949	0.13	%
United Air Lines, Inc., Equipment Trust Beneficial Interests (N585UA) (2), (5), (6)	33	452,537	0.11	%
United N659UA-767, LLC (N659UA) (2), (5), (6)	203	1,851,396	0.45	%
United N661UA-767, LLC (N661UA) (2), (5), (6)	197	1,810,685	0.44	%

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Total Scheduled Air Transportation		6,055,675		
Semiconductor and Other Electronic Component Manufacturing (0.56%)				
AIP/IS Holdings, LLC, Membership Units (3), (5)	352	2,287,226	0.56	%
Support Activities for Mining (0.74%)				
DeepOcean Group Holding AS, Common Stock - (Norway) (3), (5)	145,824	3,039,890	0.74	%
Wired Telecommunications Carriers (1.46%)				
Integra Telecom, Inc., Common Stock (3), (5)	1,274,522	5,904,196	1.45	%
Integra Telecom, Inc., Warrants (3), (5)	346,939	-	-	
NEF Kamchia Co-Investment Fund, LP Interest - (Cayman Islands) (3), (4), (5)	2,455,500	32,872	0.01	%
Total Wired Telecommunications Carriers		5,937,068		
Total Equity Securities (Cost \$135,621,945)		72,399,989		
Total Investments (Cost \$483,182,407) (8)		393,787,443		

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

Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2011

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments	
Cash and Cash Equivalents (3.48%)				
Wells Fargo & Company, Overnight Repurchase Agreement, 0.05%, Collateralized by Federal Home Loan Banks Bonds				
	\$ 6,022,702	\$ 6,022,702	1.48	%
Union Bank of California, Commercial Paper, 0.05%, due 10/3/11				
	\$ 3,000,000	3,000,000	0.74	%
Cash Denominated in Foreign Currencies				
	CAD 15,078	14,356	-	
Cash Denominated in Foreign Currencies				
	€ 3,373,595	4,516,231	1.11	%
Cash Denominated in Foreign Currencies				
	£ 35,597	55,475	0.01	%
Cash Held on Account at Various Institutions				
	\$ 562,088	562,088	0.14	%
Total Cash and Cash Equivalents		14,170,852		
Total Cash and Investments		\$ 407,958,295	100.00	%

Notes to Statement of Investments:

- (1) Investments in bank debt generally are bought and sold among institutional investors in transactions not subject to registration under the Securities Act of 1933. Such transactions are generally subject to contractual restrictions, such as approval of the agent or borrower.
- (2) Affiliated issuer - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer).
- (3) Non-income producing security.
- (4) Principal amount denominated in foreign currency. Amortized cost and fair value converted from foreign currency to US dollars.
- (5) Restricted security.
- (6) Investment is not a controlling position.
- (7) Issuer is a controlled company.
- (8)

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Includes investments with an aggregate market value of \$2,693,271 that have been segregated to collateralize certain unfunded commitments.

Aggregate purchases and aggregate sales of investments, other than government securities, totaled \$150,939,763 and \$178,429,393, respectively, during the nine months ended September 30, 2011. Aggregate purchases includes investment assets received as payment in-kind. Aggregate sales includes principal paydowns on debt investments.

The total value of restricted securities and bank debt as of September 30, 2011 was \$315,299,687, or 77.29% of total cash and investments of the Company.

Swaps at September 30, 2011 were as follows:

Investment	Notional Amount	Fair Value
Euro/US Dollar Cross-Currency Basis Swap, Pay Euros/Receive USD, Expires 5/16/14	\$ 6,040,944	\$(93,009)

See accompanying notes.

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

Consolidated Statement of Operations (Unaudited)

Nine Months Ended September 30, 2011

Investment income	
Interest income:	
Unaffiliated issuers	\$28,609,340
Affiliates	2,621,717
Dividend income:	
Affiliates	12,542,394
Other income:	
Unaffiliated issuers	1,068,874
Affiliates	912,052
Total investment income	45,754,377
Operating expenses	
Management and advisory fees	5,090,391
Amortization of deferred debt issuance costs	329,312
Interest expense	268,852
Legal fees, professional fees and due diligence expenses	146,625
Director fees	140,210
Commitment fees	123,661
Insurance expense	84,913
Custody fees	68,159
Other operating expenses	189,979
Total expenses	6,442,102
Net investment income	39,312,275
Net realized and unrealized gain (loss)	
Net realized gain:	
Investments in unaffiliated issuers	15,486,614
Investments in affiliates	261,308
Net realized gain	15,747,922
Net change in net unrealized appreciation/depreciation	(51,646,770)
Net realized and unrealized loss	(35,898,848)
Dividends paid on Series A preferred equity facility	(1,108,574)
Net change in accumulated dividends on Series A preferred equity facility	(46,399)
Dividends paid to Series Z preferred shareholders	(752)
Net change in reserve for dividends to Series Z preferred shareholders	27
Net increase in net assets applicable to common shareholders resulting from operations	\$2,257,729

See accompanying notes.

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

Consolidated Statements of Changes in Net Assets

	Nine Months Ended September 30, 2011 (Unaudited)	Year Ended December 31, 2010
Net assets applicable to common shareholders, beginning of period	\$ 264,187,584	\$ 232,879,791
Net investment income	39,312,275	38,906,533
Net realized gain	15,747,922	18,675,609
Net change in unrealized appreciation/depreciation	(51,646,770)	12,945,410
Dividends on Series A preferred equity facility	(1,108,574)	(1,508,341)
Net change in accumulated dividends on Series A preferred equity facility	(46,399)	(9,532)
Dividends to Series Z preferred shareholders from net investment income	(752)	(3,750)
Net change in reserve for dividends to Series Z preferred shareholders	27	1,864
Net increase in net assets applicable to common shareholders resulting from operations	2,257,729	69,007,793
Distributions to common shareholders from:		
Net investment income	(23,500,000)	(37,700,000)
Net assets applicable to common shareholders, end of period (including accumulated net investment income of \$14,963,815 and \$307,266, respectively)	\$ 242,945,313	\$ 264,187,584

See accompanying notes.

Special Value Continuation Fund, LLC
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Consolidated Statement of Cash Flows (Unaudited)

Nine Months Ended September 30, 2011

Operating activities	
Net increase in net assets applicable to common shareholders resulting from operations	\$2,257,729
Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:	
Net realized gain	(15,747,922)
Net change in unrealized appreciation/depreciation	51,376,888
Dividends paid on Series A preferred equity facility	1,108,574
Dividends paid to Series Z preferred shareholders	752
Net change in accumulated dividends on Series A preferred equity facility	46,399
Net change in reserve for dividends to Series Z preferred shareholders	(27)
Accretion of original issue discount	(768,423)
Net accretion of market discount/premium	(2,777,838)
Accrual of interest and dividend income paid in kind	(4,687,164)
Amortization of deferred debt issuance costs	329,312
Changes in assets and liabilities:	
Purchases of investment securities	(146,252,599)
Proceeds from sales, maturities and paydowns of investments	178,429,393
Decrease in accrued interest income - unaffiliated issuers	12,469
Increase in accrued interest income - affiliates	(506,042)
Decrease in receivable for investments sold	680,245
Increase in prepaid expenses and other assets	(1,096,180)
Increase in payable for investments purchased	9,410,999
Decrease in payable to the Investment Manager	(35,901)
Increase in interest payable	3,181
Decrease in accrued expenses and other liabilities	(29,910)
Net cash provided by operating activities	71,753,935
Financing activities	
Proceeds from draws on credit facility	86,000,000
Principal repayments on credit facility	(107,000,000)
Redemption of Series Z preferred equity	(23,500)
Dividends paid on Series A preferred equity facility	(1,108,574)
Distributions paid to common shareholders	(43,200,000)
Dividends paid to Series Z preferred shareholders	(752)
Net cash used in financing activities	(65,332,826)
Net increase in cash and cash equivalents	6,421,109
Cash and cash equivalents at beginning of period	7,749,743
Cash and cash equivalents at end of period	\$14,170,852
Supplemental cash flow information	
Interest payments	\$265,671

See accompanying notes.

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

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2011

1. Organization and Nature of Operations

Special Value Continuation Fund, LLC (the “Company”), a Delaware Limited Liability Company, is registered as a nondiversified, closed-end management investment company under the Investment Company Act of 1940 (the “1940 Act”). The Company was established for the purpose of enabling qualified investors to participate indirectly in the investment objectives of Special Value Continuation Partners, LP, a Delaware Limited Partnership (the “Partnership”), of which the Company owns 100% of the common limited partner interests. The Partnership is also registered as a nondiversified, closed-end management investment company under the 1940 Act. The Partnership was formed to acquire a portfolio of investments consisting primarily of bank loans, distressed debt, stressed high yield debt, mezzanine investments and public equities. The stated objective of the Company is to achieve high total returns while minimizing losses.

The Company has elected to be treated as a regulated investment company (“RIC”) for U.S. federal income tax purposes. As a RIC, the Company will not be taxed on its income to the extent that it distributes such income each year and satisfies other applicable income tax requirements. The Partnership has elected to be treated as a partnership for U.S. federal income tax purposes. Investment operations commenced and initial funding was received on July 31, 2006.

These consolidated financial statements include the accounts of the Company and the Partnership. All significant intercompany transactions and balances have been eliminated in the consolidation.

The General Partner of the Partnership is SVOF/MM, LLC (“SVOF/MM”). The managing member of SVOF/MM is Tennenbaum Capital Partners, LLC (“TCP”), which serves as the Investment Manager of both the Company and the Partnership. Babson Capital Management LLC serves as Co-Manager of both the Company and the Partnership. Substantially all of the equity interests in the General Partner are owned directly or indirectly by TCP, Babson Capital Management LLC and employees of TCP.

Company management consists of the Investment Manager and the Board of Directors. Partnership management consists of the General Partner and the Board of Directors. The Investment Manager and the General Partner direct and execute the day-to-day operations of the Company and the Partnership, respectively, subject to oversight from the respective Board of Directors, which sets the broad policies of the Company and performs certain functions required by the 1940 Act in the case of the Partnership. The Board of Directors of the Partnership has delegated investment management of the Partnership’s assets to the Investment Manager and the Co-Manager. Each Board of Directors consists of three persons, two of whom are independent. If the Company or the Partnership has preferred equity interests outstanding, as each currently does, the holders of the preferred interests voting separately as a class will be entitled to elect

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2011

1. Organization and Nature of Operations (continued)

two of the Directors. The remaining directors will be subject to election by holders of the common shares and preferred interests voting together as a single class.

Company Structure

Total capitalization of the consolidated Company is approximately \$678.8 million, consisting of approximately \$419.0 million of initial contributed common equity, an approximately \$9.8 million initial general partner interest (the "GP Interest") in the Partnership held by SVOF/MM, \$134 million of preferred limited partner interests in the Partnership (the "Series A Preferred"), and \$116 million under a senior secured revolving credit facility issued by the Partnership (the "Senior Facility"). The GP Interest in the Partnership is shown as a minority interest in these consolidated financial statements. The contributed common equity, GP Interest, preferred limited interests and the amount drawn under the Senior Facility are used to purchase Partnership investments and to pay certain fees and expenses of the Partnership and the Company. Most of the cash and investments of the Partnership are included in the collateral for the Senior Facility.

The Company will liquidate and distribute its assets and will be dissolved on June 30, 2016, subject to up to two one-year extensions if requested by the Investment Manager and approved by the outstanding common shares. The Partnership will liquidate and distribute its assets and will be dissolved on June 30, 2016, subject to up to two one-year extensions if requested by the General Partner and approved by SVCF as the holder of the common limited partner interests in the Partnership. However, the Operating Agreement and Partnership Agreement will prohibit liquidation of the Company and the Partnership, respectively, prior to June 30, 2016 if the Series A Preferred are not redeemed in full prior to such liquidation.

Preferred Equity Facility

At September 30, 2011, the Partnership had 6,700 Series A preferred limited partner interests (the "Series A Preferred") issued and outstanding with a liquidation preference of \$20,000 per Preferred Limited Interest. The Series A Preferred are redeemable at the option of the Partnership, subject to certain conditions. Additionally, under certain conditions, the Partnership may be required to either redeem certain of the Series A Preferred or repay indebtedness, at the Partnership's option. Such conditions would include a failure by the Partnership to maintain adequate collateral as required by its credit facility agreement or by the Statement of Preferences of the Series A Preferred or a failure by the Partnership to maintain sufficient asset coverage as required by the 1940 Act. As of September 30, 2011, the Partnership was in full compliance with such requirements.

The Series A Preferred accrue dividends at an annual rate equal to LIBOR plus 0.85% or, in the case of any holders of Series A Preferred that are CP Conduits (as defined in the leveraging

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2011

1. Organization and Nature of Operations (continued)

documents), the higher of (i) LIBOR plus 0.85% or (ii) the CP Conduit's cost of funds rate plus 0.85%, subject to certain limitations and adjustments.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The following is a summary of the significant accounting policies of the Company and the Partnership.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions to be reasonable, actual results could differ from those estimates.

Investment Valuation

All of the Company's investments are generally held by the Partnership. Management values investments held by the Partnership at fair value based upon the principles and methods of valuation set forth in policies adopted by the Partnership's Board of Directors and in conformity with procedures set forth in the Senior Facility and Statement of Preferences for the Preferred Limited Interest. Fair value is generally defined as the amount for which an investment would be sold in an orderly transaction between market participants at the measurement date.

Investments listed on a recognized exchange or market quotation system, whether U.S. or foreign, are valued for financial reporting purposes as of the last business day of the reporting period using the closing price on the date of valuation. Liquid investments not listed on a recognized exchange or market quotation system are priced by a nationally recognized pricing service or by using quotations from broker-dealers. Investments not priced by a pricing service or for which market quotations are either not readily available or are determined to be unreliable are valued by one or more independent valuation services or, for investments aggregating less than 5% of the total capitalization of the Partnership, by the Investment Manager.

Fair valuations of investments are determined under guidelines adopted by the Partnership's Board of Directors, and are subject to their approval. Generally, to increase objectivity in valuing

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2011

2. Summary of Significant Accounting Policies (continued)

the Partnership's investments, the Investment Manager will utilize external measures of value, such as public markets or third-party transactions, whenever possible. The Investment Manager's valuation is not based on long-term work-out value, immediate liquidation value, nor incremental value for potential changes that may take place in the future. The values assigned to investments that are valued by the Investment Manager are based on available information and do not necessarily represent amounts that might ultimately be realized, as these amounts depend on future circumstances and cannot reasonably be determined until the individual investments are actually liquidated. The foregoing policies apply to all investments, including those in companies and groups of affiliated companies aggregating more than 5% of the Company's assets.

Fair valuations of investments in each asset class are determined using one or more methodologies including the market approach, income approach, or, in the case of recent investments, the cost approach, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that may be taken into account include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market and enterprise values, among other factors.

Investments of the Partnership may be categorized based on the types of inputs used in valuing such investments. The level in the GAAP valuation hierarchy in which an investment falls is based on the lowest level input that is significant to the valuation of the investment in its entirety. Transfers between levels are recognized as of the beginning of the reporting period.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

September 30, 2011

2. Summary of Significant Accounting Policies (continued)

At September 30, 2011, the investments of the Partnership were categorized as follows:

Level	Basis for Determining Fair Value	Bank Debt	Other Corporate Debt	Equity Securities
1	Quoted prices in active markets for identical assets	\$ -	\$ 4,880,978	\$ 2,875,180
2	Other observable market inputs*	40,383,764	99,491,011	-
3				