

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

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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)<br>Annualized<br>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   |                |
| 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   | 443,834        |
| Total preferred limited partner interests   | 134,443,834    |
| Minority interest   |                |
| General partner interest in Special Value Continuation Partners, LP   | -              |
| Net assets applicable to common shareholders  | \$ 206,500,958 |

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| 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                                   | 364,767,103    |
| Accumulated net investment income   | 6,737,333      |
| Accumulated net realized losses   | (29,169,276)   |
| Accumulated net unrealized depreciation   | (135,833,673)  |
| Accumulated dividends to Series Z preferred shareholders  | (948)          |
| Net assets applicable to common shareholders  | \$ 206,500,958 |
|   |                |
| Common stock, NAV per share   | \$ 492.89      |

See accompanying notes.

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

Consolidated Statement of Investments (Unaudited)

June 30, 2009

Showing Percentage of Total Cash and Investments of the Company

| Investment  | Principal<br>Amount | Fair<br>Value     | Percent of Cash<br>and Investments |
|---|---------------------|-------------------|------------------------------------|
| <b>Debt Investments (55.15%)</b>  |                     |                   |                                    |
| <b>Bank Debt (30.85%) (1)</b>   |                     |                   |                                    |
| <b>Architectural, Engineering, and Related Services (0.82%)</b>   |                     |                   |                                    |
| Alion Science & Technology Corporation, 1st Lien Term Loan,<br>LIBOR + 6%, due 2/6/13<br>(Acquired 4/14/08, Amortized Cost \$3,042,537) | \$ 3,886,228        | \$ 3,244,777      | 0.82%                              |
| <b>Communications Equipment Manufacturing (3.88%)</b>   |                     |                   |                                    |
| Mitel Networks Corporation, 1st Lien Term Loan, LIBOR + 3.25%,<br>due 8/10/14<br>(Acquired 12/13/07, Amortized Cost \$18,649,293)       | \$ 19,839,674       | 15,326,148        | 3.88%                              |
| <b>Computer and Peripheral Equipment Manufacturing (0.25%)</b>  |                     |                   |                                    |
| Palm, Inc., Tranche B Term Loan, LIBOR + 3.5%, due 4/24/14<br>(Acquired 5/24/07, Amortized Cost \$1,181,604)                            | \$ 1,312,893        | 978,106           | 0.25%                              |
| <b>Data Processing, Hosting, and Related Services (5.07%)</b>   |                     |                   |                                    |
| GXS Worldwide, Inc., 1st Lien Term Loan, Prime + 4.75%, due<br>3/31/13<br>(Acquired 10/12/07, Amortized Cost \$6,902,432)               | \$ 7,043,299        | 6,585,484         | 1.67%                              |
| GXS Worldwide, Inc., 2nd Lien Term Loan, LIBOR + 10.25%, due<br>9/30/13<br>(Acquired 10/12/07, Amortized Cost \$14,379,238)             | \$ 14,598,211       | 13,430,354        | 3.40%                              |
| <b>Total Data Processing, Hosting, and Related Services</b>   |                     | <b>20,015,838</b> |                                    |
| <b>Electric Power Generation, Transmission and Distribution (0.05%)</b>   |                     |                   |                                    |
| La Paloma Generating Company Residual Bank Debt<br>(Acquired 2/2/05, 3/18/05, and 5/6/05, Cost \$1,885,234) (3)                         | \$ 23,218,324       | 211,508           | 0.05%                              |
| <b>Metalworking Machinery Manufacturing (0.14%)</b>   |                     |                   |                                    |
| Mold-Masters Group, 1st Lien Term Loan, LIBOR + 3.5%, due<br>10/11/14<br>(Acquired 6/22/09, Amortized Cost \$433,861)                   | \$ 774,752          | 561,695           | 0.14%                              |
| <b>Motor Vehicle Manufacturing (1.13%)</b>  |                     |                   |                                    |
| General Motors Corporation, Revolver, LIBOR + 2.5%, due 7/20/11   | \$ 4,500,000        | 4,454,656         | 1.13%                              |



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(Acquired 9/27/07, 11/27/07, and 12/14/07, Amortized Cost \$4,055,281)

Offices of Real Estate Agents and Brokers (1.51%)

Realty Corporation, Revolver, LIBOR + 2.25%, due 4/10/13

(Acquired 6/28/07, 7/9/07, and 7/13/07, Amortized Cost \$9,893,333) \$ 13,000,000 5,958,333 1.51%

Other Electrical Equipment and Component Manufacturing (1.91%)

EaglePicher Corporation, 1st Lien Tranche B Term Loan, LIBOR + 4.5%, due 12/31/12

(Acquired 12/31/07, Amortized Cost \$7,867,657) (2), (14) \$ 7,867,657 7,533,281 1.91%

Petroleum and Coal Products Manufacturing (0.33%)

Building Materials Corporation of America, 2nd Lien Term Loan, LIBOR + 5.75%, due 9/15/14

(Acquired 5/20/09, 5/28/09, and 6/2/09, Amortized Cost \$1,223,609) \$ 1,599,318 1,283,453 0.33%

Radio and Television Broadcasting (0.17%)

High Plains Broadcasting Operating Company, Term Loan, Prime + 4%, due 9/14/16

(Acquired 9/15/08, Amortized Cost \$179,919) \$ 197,713 138,399 0.04%

Newport Television LLC, Term Loan B, Prime + 5%, due 9/14/16

(Acquired 5/1/08 and 5/29/08, Amortized Cost \$679,615) \$ 746,829 522,781 0.13%

Total Radio and Television Broadcasting 661,180

Satellite Telecommunications (8.05%)

WildBlue Communications, Inc., 1st Lien Delayed Draw Term Loan, LIBOR + 4% Cash

+ 2.5% PIK, due 12/31/09

(Acquired 9/29/06, Amortized Cost \$13,928,218) (4) \$ 13,861,797 13,434,853 3.40%

WildBlue Communications, Inc., 2nd Lien Delayed Draw Term Loan, 8.5% Cash

+ 7.25% PIK, due 8/15/11

(Acquired 9/29/06, Amortized Cost \$17,785,409) (4) \$ 18,197,700 18,354,200 4.65%

Total Satellite Telecommunications 31,789,053

Semiconductor and Other Electronic Component Manufacturing (1.66%)

Celerity, Inc., Senior Secured Notes, LIBOR + 12%, due 11/30/09

(Acquired 4/15/08, 1/21/09, 2/2/09, 2/27/09, and 4/28/09, Amortized Cost \$22,079,264) (3) \$ 22,116,385 6,192,588 1.57%

Celerity, Inc., Senior 2nd Lien Secured Convertible Notes, 12% PIK, due 12/31/09

(Acquired 4/15/08, Amortized Cost \$7,316,697) (3) \$ 7,316,697 365,835 0.09%

Total Semiconductor and Other Electronic Component Manufacturing 6,558,423

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

Consolidated Statement of Investments (Unaudited) (Continued)

June 30, 2009

Showing Percentage of Total Cash and Investments of the Company

| Investment  | Principal<br>Amount | Fair<br>Value      | Percent of Cash<br>and Investments |
|---|---------------------|--------------------|------------------------------------|
| <b>Debt Investments (continued)</b>   |                     |                    |                                    |
| <b>Wired Telecommunications Carriers (5.88%)</b>  |                     |                    |                                    |
| <b>Cavalier Telephone Corporation, Senior Secured 1st Lien Term Loan, PRIME + 6.25% PIK, due 12/31/12 (Acquired 4/24/08, Amortized Cost \$677,323)</b>                        |                     |                    |                                    |
|   | \$ 866,750          | \$ 486,825         | 0.12%                              |
| <b>Global Crossing Limited, Tranche B Term Loan, LIBOR + 6.25%, due 5/9/12 (Acquired 5/13/09, Amortized Cost \$245,897)</b>   |                     |                    |                                    |
|   | \$ 330,063          | 280,224            | 0.07%                              |
| <b>Integra Telecom, Inc., 1st Lien Term Loan, Prime + 3.75%, due 8/31/13 (Acquired 5/20/09 and 6/20/09, Amortized Cost \$137,413)</b>   |                     |                    |                                    |
|   | \$ 157,655          | 143,460            | 0.04%                              |
| <b>Integra Telecom, Inc., 2nd Lien Term Loan, Prime + 6%, due 2/28/14 (Acquired 9/05/07, 6/17/09, and 6/30/09, Amortized Cost \$3,649,072) (3)</b>                            |                     |                    |                                    |
|   | \$ 4,210,144        | 3,043,934          | 0.77%                              |
| <b>Integra Telecom, Inc., Term Loan, LIBOR + 10% PIK, due 8/31/14 (Acquired 9/05/07, Amortized Cost \$5,035,778)</b>  |                     |                    |                                    |
|   | \$ 5,035,778        | 820,832            | 0.21%                              |
| <b>Interstate Fibernet, Inc., 1st Lien Term Loan, LIBOR + 4%, due 7/31/13 (Acquired 8/01/07, Amortized Cost \$10,940,248) (2), (4)</b>  |                     |                    |                                    |
|   | \$ 11,249,612       | 9,304,835          | 2.36%                              |
| <b>Interstate Fibernet, Inc., 2nd Lien Term Loan, LIBOR + 7.5%, due 7/31/14 (Acquired 7/31/07, Amortized Cost \$8,281,636) (2), (4)</b>                                       |                     |                    |                                    |
|   | \$ 8,281,636        | 7,540,429          | 1.91%                              |
| <b>NEF Telecom Company BV, 2nd Lien Tranche D Term Loan, EURIBOR + 5.5%, due 2/16/17 (Acquired 8/29/07 and 11/29/07, Amortized Cost \$2,111,865) - (Netherlands) (4), (9)</b> |                     |                    |                                    |
|   | € 1,538,600         | 1,568,598          | 0.40%                              |
| <b>Total Wired Telecommunications Carriers</b>  |                     | <b>23,189,137</b>  |                                    |
| <b>Total Bank Debt (Cost \$162,562,433)</b>   |                     | <b>121,765,588</b> |                                    |
| <b>Other Corporate Debt Securities (24.30%)</b>   |                     |                    |                                    |
| <b>Architectural, Engineering, and Related Services (2.51%)</b>   |                     |                    |                                    |
| <b>Alion Science &amp; Technology Corporation, Senior Notes, 10.25%, due 2/1/15</b>   |                     |                    |                                    |
|   | \$ 9,978,000        | 3,991,200          | 1.01%                              |

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|   |               |            |       |
|---|---------------|------------|-------|
| ESP Holdings, Inc., Junior Unsecured Subordinated Promissory Notes, 18% PIK, due 3/31/15 (2), (4)                         |               |            |       |
|   | \$ 6,162,958  | 5,913,358  | 1.50% |
| Total Architectural, Engineering, and Related Services  |               |            |       |
|   |               | 9,904,558  |       |
| Couriers and Express Delivery Services (0.03%)  |               |            |       |
| Federal Express Corporation, Fixed Rate Notes, 5.5%, due 8/15/09  | \$ 100,000    | 100,508    | 0.03% |
| Data Processing, Hosting, and Related Services (5.45%)  |               |            |       |
| Anacomp, Inc., Promissory Note, LIBOR + 6.5% PIK, due 8/31/09 (2), (10)   | \$ 1,225,124  | 1,212,873  | 0.31% |
| Anacomp, Inc., Senior Secured Subordinated Notes, 14% PIK, due 3/12/13 (2), (10)  | \$ 8,616,624  | 7,846,795  | 1.99% |
| Terremark Worldwide, Inc., Senior Secured Notes, 12%, due 6/15/17 (Acquired 6/17/09, Amortized Cost \$12,462,554) (5)     | \$ 13,100,000 | 12,445,000 | 3.15% |
| Total Data Processing, Hosting, and Related Services  |               |            |       |
|   |               | 21,504,668 |       |
| Depository Credit Intermediation (0.55%)  |               |            |       |
| Wells Fargo & Company, FDIC Guaranteed Notes, 3%, due 12/9/11   | \$ 2,000,000  | 2,059,480  | 0.52% |
| Wells Fargo & Company, Senior Unsecured FRN, LIBOR + 0.1%, due 9/15/09  | \$ 100,000    | 100,049    | 0.03% |
| Total Depository Credit Intermediation  |               |            |       |
|   |               | 2,159,529  |       |
| Full-Service Restaurants (1.00%)  |               |            |       |
| Landry's Restaurant, Inc., Senior Secured Notes, 14%, due 8/15/11 (Acquired 6/9/09, Amortized Cost \$3,948,480) (5)       | \$ 4,113,000  | 3,948,480  | 1.00% |
| Gambling Industries (0.05%)   |               |            |       |
| Harrah's Operating Company Inc., Senior Secured Notes, 10%, due 12/15/18 (Acquired 6/25/09, Amortized Cost \$189,175) (5) | \$ 329,000    | 194,100    | 0.05% |
| Grocery Stores (0.66%)  |               |            |       |
| Safeway, Inc., Senior Unsecured Notes, 7.5%, due 9/15/09  | \$ 2,600,000  | 2,624,544  | 0.66% |
| Industrial Machinery Manufacturing (1.74%)  |               |            |       |
| GSI Group Corporation, Senior Notes, 11%, due 8/20/13 (Acquired 8/20/08, Amortized Cost \$6,783,482) (5)                  | \$ 7,778,000  | 6,852,418  | 1.74% |
| Management, Scientific, and Technical Consulting Services (0.03%)   |               |            |       |
| IBM Corporation, Senior Unsecured Notes, 4.25%, due 9/15/09   | \$ 100,000    | 100,607    | 0.03% |
| Nondepository Credit Intermediation (0.77%)   |               |            |       |
| Fannie Mae, Fixed Rate Notes, 5.125%, due 7/13/09   | \$ 100,000    | 100,165    | 0.03% |
| Federal Farm Credit Bank, Fixed Rate Notes, 5.25%, due 8/3/09   | \$ 100,000    | 100,430    | 0.03% |
| Federal Home Loan Bank, Fixed Rate Notes, 6.5%, due 8/14/09   | \$ 100,000    | 100,738    | 0.03% |
| Freddie Mac, Fixed Rate Notes, 4.25%, due 7/15/09   | \$ 100,000    | 100,154    | 0.03% |
| General Electric Capital Corp., FDIC Guaranteed Notes, 1.8%, due 3/11/11  | \$ 500,000    | 504,940    | 0.13% |
|   | \$ 2,000,000  | 2,066,280  | 0.52% |

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General Electric Capital Corp., FDIC Guaranteed Notes, 3%, due  
12/9/11

Total Nondepository Credit Intermediation

2,972,707

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

Consolidated Statement of Investments (Unaudited) (Continued)

June 30, 2009

Showing Percentage of Total Cash and Investments of the Company

| Investment  | Principal Amount<br>or Shares | Fair<br>Value    | Percent of Cash<br>and Investments |
|---|-------------------------------|------------------|------------------------------------|
| <b>Debt Investments (continued)</b>   |                               |                  |                                    |
| <b>Offices of Real Estate Agents and Brokers (0.57%)</b>  |                               |                  |                                    |
| Realty Corporation, Senior Note, 10.5%, due 4/15/14   | \$ 1,965,000                  | \$ 854,775       | 0.22%                              |
| Realty Corporation, Senior Subordinated Notes, 12.375%, due 4/15/15   | \$ 4,915,000                  | 1,376,200        | 0.35%                              |
| <b>Total Offices of Real Estate Agents and Brokers</b>  |                               | <b>2,230,975</b> |                                    |
| <b>Other Amusement and Recreation Industries (0.57%)</b>  |                               |                  |                                    |
| <b>Bally Total Fitness Holdings, Inc., Senior Subordinated Notes, 14% Cash or 15.625% PIK, due 10/1/13 (Acquired 10/1/07, Amortized Cost \$45,025,305) (3), (5)</b> |                               |                  |                                    |
|   | \$ 44,090,666                 | 2,248,624        | 0.57%                              |
| <b>Other General Merchandise Stores (0.03%)</b>   |                               |                  |                                    |
| Walmart Stores, Inc., Senior Unsecured Notes, 6.875%, due 8/10/09   | \$ 100,000                    | 100,620          | 0.03%                              |
| <b>Other Information Services (4.90%)</b>   |                               |                  |                                    |
| IRI Holdco (RW), LLC, Note Receivable, 8%, due 12/12/11 (Acquired 10/31/08, Cost \$18,874,300) (4), (5)   | 20,044,707                    | 19,343,142       | 4.90%                              |
| <b>Plastics Product Manufacturing (0.34%)</b>   |                               |                  |                                    |
| Pliant Corporation, Senior Secured 2nd Lien Notes, 11.125%, due 9/1/09 (3)  | \$ 13,477,000                 | 1,347,700        | 0.34%                              |
| <b>Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing (0.21%)</b>   |                               |                  |                                    |
| AGY Holding Corp., Senior Secured 2nd Lien Notes, 11%, due 11/15/14   | \$ 1,029,000                  | 825,773          | 0.21%                              |
| <b>Securities and Commodity Contracts Intermediation and Brokerage (0.38%)</b>  |                               |                  |                                    |
| Goldman Sachs Group, Inc., FDIC Guaranteed Notes, 1.7%, due 3/15/11   | \$ 500,000                    | 503,110          | 0.13%                              |
| JP Morgan Chase & Co., FDIC Guaranteed Notes, 1.65%, due 2/23/11  | \$ 1,000,000                  | 1,005,840        | 0.25%                              |

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|   |    |            |                   |
|---|----|------------|-------------------|
| Total Securities and Commodity Contracts Intermediation and Brokerage   |    | 1,508,950  |                   |
| Tobacco Manufacturing (0.03%)   |    |            |                   |
| Philip Morris Capital Corporation, Senior Unsecured Notes, 7.5%, due 7/16/09  | \$ | 115,000    | 115,107 0.03%     |
| Wired Telecommunications Carriers (4.48%)   |    |            |                   |
| NEF Telecom Company BV, Mezzanine Term Loan, EURIBOR + 10% PIK, due 8/16/17 (Acquired 8/29/07, Amortized Cost \$20,949,884) - (Netherlands) (4), (5), (9) | €  | 15,156,885 | 17,685,729 4.48%  |
| Total Other Corporate Debt Securities (Cost \$155,112,510)  |    |            | 95,768,739        |
| Total Debt Investments (Cost \$317,674,943)   |    |            | 217,534,327       |
| Equity Securities (30.21%)  |    |            |                   |
| Architectural, Engineering, and Related Services(5.58%)   |    |            |                   |
| ESP Holdings, Inc., Common Stock (Acquired 9/12/07, Cost \$9,311,782) (2), (3), (5), (6), (8)   |    | 88,670     | 16,871,337 4.27%  |
| ESP Holdings, Inc., 15% PIK, Preferred Stock (Acquired 9/12/07, Cost \$4,502,521) (2), (3), (4), (5), (6)   |    | 40,618     | 5,160,563 1.31%   |
| Total Architectural, Engineering, and Related Services  |    |            | 22,031,900        |
| Data Processing, Hosting, and Related Services (0.71%)  |    |            |                   |
| Anacomp, Inc., Common Stock (Acquired during 2002, 2003, 2005, and 2006, Cost \$26,711,048) (2), (3), (5), (10)   |    | 1,253,969  | 2,815,160 0.71%   |
| Depository Credit Intermediation (0.45%)  |    |            |                   |
| Doral Holdings, LP Interest (Acquired 7/12/07, Cost \$11,138,132) (3), (5)  |    | 11,138,132 | 1,792,013 0.45%   |
| Industrial Machinery Manufacturing (0.03%)  |    |            |                   |
| GSI Group Inc. Common Stock (Acquired 8/20/08, Amortized Cost \$1,136,228) (3), (5)   |    | 216,987    | 107,409 0.03%     |
| Nonferrous Metal (except Aluminum) Production and Processing (7.52%)  |    |            |                   |
| International Wire Group, Inc., Common Stock (Acquired 10/20/04, Cost \$29,012,690) (2), (4), (5), (6)  |    | 1,979,441  | 29,691,615 7.52%  |
| Other Electrical Equipment and Component Manufacturing (10.21%)   |    |            |                   |
| EaglePicher Holdings, Inc., Common Stock (Acquired 3/9/05, Cost \$24,285,461) (2), (3), (4), (5), (6), (7)  |    | 1,312,720  | 40,353,013 10.21% |

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

Consolidated Statement of Investments (Unaudited) (Continued)

June 30, 2009

Showing Percentage of Total Cash and Investments of the Company

| Investment  | Principal Amount<br>or Shares | Fair<br>Value | Percent of Cash<br>and Investments |
|---|-------------------------------|---------------|------------------------------------|
| <b>Equity Securities (continued)</b>  |                               |               |                                    |
| <b>Other Information Services (0.49%)</b>   |                               |               |                                    |
| IRI Holdco (RW), LLC, Warrants to Purchase IRI Preferred Stock<br>(Acquired 10/31/08, Cost \$1,170,406) (3), (4), (5)   | 4,063,914                     | \$ 1,950,679  | 0.49%                              |
| <b>Plastics Product Manufacturing (0.00%)</b>   |                               |               |                                    |
| Pliant Corporation, Common Stock<br>(Acquired 7/18/06, Cost \$177) (3), (5), (13)                                       | 422                           | -             | 0.00%                              |
| Pliant Corporation, 13% PIK, Preferred Stock (3)  | 5,570,318                     | -             | 0.00%                              |
| Total Plastics Product Manufacturing  |                               | -             |                                    |
| <b>Satellite Telecommunications (1.69%)</b>   |                               |               |                                    |
| WildBlue Communications, Inc., Warrants to Purchase Common Stock<br>(Acquired 10/23/06, Cost \$673,094) (3), (4), (5)   | 51,896                        | 6,688,356     | 1.69%                              |
| <b>Semiconductor and Other Electronic Component Manufacturing (0.00%)</b>   |                               |               |                                    |
| Celerity, Inc., Common Stock<br>(Acquired 12/23/04, 9/8/05, and 2/1/06, Cost \$12,135,924) (3), (5)                     | 2,427,185                     | -             | 0.00%                              |
| Kinetics Holdings, LLC, Common Units<br>(Acquired 1/7/05, Cost \$2,587,349) (3), (5)                                    | 3,384,000                     | 1             | 0.00%                              |
| Total Semiconductor and Other Electronic Component Manufacturing  |                               | 1             |                                    |
| <b>Support Activities for Air Transportation (0.05%)</b>  |                               |               |                                    |
| Alabama Aircraft Industries, Inc., Common Stock<br>(Acquired 3/12/02, 3/13/02, and 12/11/02, Cost \$3,550,121) (3), (5) | 164,636                       | 222,259       | 0.05%                              |
| <b>Wire Telecommunications Carriers (3.48%)</b>   |                               |               |                                    |
| ITC^DeltaCom, Inc., Common Stock<br>(Acquired 7/31/07, Cost \$23,477,380) (2), (3), (5), (6), (12)                      | 10,890,068                    | 10,890,068    | 2.75%                              |
| NEF Kamchia Co-Investment Fund, LP Interest   | 2,455,500                     | 2,895,738     | 0.73%                              |

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|  |               |                |         |
|--|---------------|----------------|---------|
| (Acquired 7/31/07, Cost \$3,367,227) - (Cayman Islands) (3), (4), (5), (9)   |               |                |         |
| Total Wire Telecommunications Carriers   |               | 13,785,806     |         |
| Total Equity Securities (Cost \$154,598,322)   |               | 119,438,211    |         |
| Total Investments (Cost \$472,273,265) (11)  |               | 336,972,538    |         |
| Cash and Cash Equivalents (14.64%)   |               |                |         |
| Chevron Funding, Commercial Paper, 0.17%, 7/1/09   | \$ 1,000,000  | 1,000,000      | 0.25%   |
| Wells Fargo & Company, Commercial Paper, 0.05%, 7/1/09   | \$ 5,000,000  | 5,000,000      | 1.26%   |
| Citicorp, Commercial Paper, 0.35%, 7/7/09  | \$ 6,000,000  | 5,999,650      | 1.52%   |
| Toyota Motor Credit Corporation, Commercial Paper, 0.15%, 7/7/09   | \$ 15,000,000 | 14,999,625     | 3.80%   |
| General Electric Capital Corporation, Commercial Paper, 0.15%, 7/10/09   | \$ 5,000,000  | 4,999,813      | 1.26%   |
| UBS Finance, Commercial Paper, 0.17%, 7/13/09  | \$ 4,000,000  | 3,999,773      | 1.01%   |
| General Electric Capital Corporation, Commercial Paper, 0.17%, 7/15/09   | \$ 10,000,000 | 9,999,339      | 2.53%   |
| Wells Fargo & Company, Commercial Paper, 0.20%, 7/22/09  | \$ 5,000,000  | 4,999,417      | 1.26%   |
| Union Bank of California, Commercial Paper, 0.15%, 7/29/09   | \$ 5,000,000  | 4,999,417      | 1.26%   |
| Wells Fargo & Company, Overnight Repurchase Agreement, 0.05%, Collateralized by Federal Home Loan Bank Discount Note | \$ 1,536,789  | 1,536,789      | 0.39%   |
| Cash Held on Account at Various Institutions   | \$ 401,801    | 401,801        | 0.10%   |
| Total Cash and Cash Equivalents  |               | 57,935,624     |         |
| Total Cash and Investments   |               | \$ 394,908,162 | 100.00% |



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

Consolidated Statement of Investments (Unaudited) (Continued)

June 30, 2009

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) Priced by an independent third party pricing service.
- (5) Restricted security.
- (6) Investment is not a controlling position.
- (7) The Partnership's advisor may demand registration at any time more than 180 days following the first initial public offering of common equity by the issuer.
- (8) Priced by Investment Manager.
- (9) Principal amount denominated in euros. Amortized cost and fair value converted from euros to US dollars.
- (10) Issuer is a controlled company.
- (11) Includes investments with an aggregate market value of \$5,160,562 that have been segregated to collateralize certain unfunded commitments.
- (12) Priced using the closing price per Pink Sheets.
- (13) The Partnership may demand registration of the shares as part of a majority (by interest) of the holders of the registrable shares of the issuer, or in connection with an initial public offering by the issuer.
- (14) Average quote obtained by multiple market brokers

Aggregate purchases and aggregate sales of investments, other than Government securities, totaled \$45,763,984 and \$61,778,148 respectively.

Aggregate purchases includes investment assets received as payment in-kind. Aggregate sales includes principal paydowns on debt investments.

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The total value of restricted securities and bank debt as of June 30, 2009 was \$303,921,292, or 77% of total cash and investments of the Company.

Swaps at June 30, 2009 were as follows:

| Instrument  | Notional Amount | Fair Value   |
|---|-----------------|--------------|
| Swaps   |                 |              |
| Euro/US Dollar Cross Currency Basis Swap, Pay Euros/Receive USD,<br>Expires 5/16/14 | \$ 12,081,888   | \$ (474,069) |

See accompanying notes.

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

Consolidated Statement of Operations (Unaudited)

Six Months Ended June 30, 2009

|  |               |
|--|---------------|
| Investment income  |               |
| Interest income:   |               |
| Unaffiliated issuers   | \$ 9,506,869  |
| Controlled companies   | 634,336       |
| Other affiliates   | 1,853,927     |
| Other income:  |               |
| Unaffiliated issuers   | 142,651       |
| Other affiliates   | 18,222        |
| Total investment income  | 12,156,005    |
| Operating expenses   |               |
| Management and advisory fees   | 3,393,594     |
| Legal fees, professional fees and due diligence expenses                               | 237,121       |
| Amortization of deferred debt issuance costs   | 218,335       |
| Interest expense   | 191,672       |
| Commitment fees  | 108,625       |
| Director fees  | 84,500        |
| Insurance expense  | 59,724        |
| Custody fees   | 49,014        |
| Other operating expenses   | 272,767       |
| Total expenses   | 4,615,352     |
| Net investment income  | 7,540,653     |
| Net realized and unrealized gain (loss)  |               |
| Net realized gain (loss) from:   |               |
| Investments in unaffiliated issuers  | (5,662,223)   |
| Investments in affiliated issuers  | (4,128,345)   |
| Foreign currency transactions  | 74,519        |
| Net realized loss  | (9,716,049)   |
| Net change in net unrealized appreciation/depreciation on:                             |               |
| Investments  | 13,996,213    |
| Foreign currency   | (80,759)      |
| Net change in unrealized appreciation/depreciation                                     | 13,915,454    |
| Net realized and unrealized gain   | 4,199,405     |
| Dividends paid on Series A preferred equity facility                                   | (1,713,379)   |
| Net change in accumulated dividends on Series A preferred equity facility              | 729,634       |
| Net change in reserve for dividends to Series Z preferred shareholders                 | (932)         |
| Net increase in net assets applicable to common shareholders resulting from operations | \$ 10,755,381 |

See accompanying notes.

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

Consolidated Statements of Changes in Net Assets (Unaudited)

|  | Six Months Ended<br>June 30, 2009 | Year Ended<br>December 31, 2008 |
|--|-----------------------------------|---------------------------------|
| Net assets applicable to common shareholders, beginning of period  | \$ 195,745,577                    | \$ 392,541,013                  |
| Net investment income  | 7,540,653                         | 22,519,973                      |
| Net realized loss on investments and foreign currency  | (9,716,049)                       | (22,817,266)                    |
| Net change in unrealized appreciation/depreciation on investments and foreign currency   | 13,915,454                        | (186,457,070)                   |
| Net change in undistributed earnings of minority interestholder  | -                                 | 3,149,915                       |
| Dividends on Series A preferred equity facility  | (1,713,379)                       | (5,953,838)                     |
| Net change in accumulated dividends on Series A preferred equity facility  | 729,634                           | 764,735                         |
| Dividends to Series Z preferred shareholders from net investment income  | -                                 | (4,542)                         |
| Net change in reserve for dividends to Series Z preferred shareholders   | (932)                             | 2,657                           |
| Net increase in net assets applicable to common shareholders resulting from operations   | 10,755,381                        | (188,795,436)                   |
| Distributions to common shareholders from:   |                                   |                                 |
| Net investment income  | -                                 | (8,000,000)                     |
| Net assets applicable to common shareholders, end of period (including accumulated net investment income of \$6,737,333 and \$180,425, respectively) | \$ 206,500,958                    | \$ 195,745,577                  |

See accompanying notes.

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

Consolidated Statement of Cash Flows (Unaudited)

Six Months Ended June 30, 2009

|   |               |
|---|---------------|
| <b>Operating activities</b>   |               |
| Net increase in net assets applicable to common shareholders resulting from operations  | \$ 10,755,381 |
| Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities: |               |
| Net realized loss on investments  | 9,790,568     |
| Net change in unrealized depreciation on investments  | (13,996,213)  |
| Dividends paid on Series A preferred equity facility  | 1,713,379     |
| Net change in accumulated dividends on Series A preferred equity facility   | (729,634)     |
| Net change in reserve for dividends to Series Z preferred shareholders  | 932           |
| Accretion of original issue discount  | (40,937)      |
| Accretion of market discount  | (303,556)     |
| Income from paid in-kind capitalization   | (4,143,822)   |
| Amortization of deferred debt issuance costs  | 218,335       |
| Changes in assets and liabilities:  |               |
| Purchases of investments  | (41,620,162)  |
| Proceeds from sales, maturities and paydowns of investments   | 61,778,148    |
| Increase in accrued interest income-unaffiliated issuers  | (127,529)     |
| Decrease in accrued interest income-controlled companies  | 1,332         |
| Decrease in accrued interest income-other affiliates  | 184,627       |
| Decrease in dividends receivable  | 2,137,796     |
| Increase in receivable for investments sold   | (10,384,197)  |
| Increase in prepaid expenses and other assets   | (204,636)     |
| Increase in payable for investments purchased   | 4,289,176     |
| Increase in accrued expenses and other liabilities  | 13,654        |
| Decrease in interest payable  | (605,891)     |
| Decrease in management and advisory fees payable  | (125,000)     |
| Decrease in payable to affiliate  | (16,089)      |
| Net cash provided by operating activities   | 18,585,662    |
| <b>Financing activities</b>   |               |
| Proceeds from draws on credit facility  | 35,000,000    |
| Principal repayments on credit facility   | (5,000,000)   |
| Dividends paid on Series A preferred equity facility  | (1,713,379)   |
| Net cash provided by financing activities   | 28,286,621    |
| Net increase in cash and cash equivalents   | 46,872,283    |
| Cash and cash equivalents at beginning of period  | 11,063,341    |
| Cash and cash equivalents at end of period  | \$ 57,935,624 |
| <b>Supplemental cash flow information:</b>  |               |
| Interest payments   | \$ 797,563    |

See accompanying notes.

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

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2009

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. The Company, the Partnership, TCP, SVOF/MM and their members and affiliates may be considered related parties.

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 consist of three persons, two of whom are independent. If the Company has preferred limited partner interests outstanding, as it currently does, the holders of the preferred limited partner interests voting separately as a class will be entitled to elect two of the Directors. The remaining directors will be subject to election by holders of the common shares and preferred limited interests voting together as a single class.



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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

1. Organization and Nature of Operations (continued)

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"), \$116 million under a senior secured revolving credit facility (the "Senior Facility") held by the Partnership and \$23,500 in Series Z preferred shares of the Company. 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 these investments 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 June 30, 2009, 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 interest. The Series A Preferred are redeemable at the option of the Partnership, subject to certain limitations. 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 June 30, 2009, the Partnership was in full compliance with such requirements.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

1. Organization and Nature of Operations (continued)

The Series A Preferred accrue dividends at an annual rate equal to LIBOR plus 0.75%, or in the case of any holders of Series A Preferred that are CP Conduits (as defined in the leveraging documents), the higher of (i) LIBOR plus 0.75% or (ii) the CP Conduit's cost of funds rate plus 0.75%, 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"). In the opinion of the Investment Manager, the consolidated financial results of the Company included herein contain all adjustments necessary to present fairly the consolidated financial position of the Company as of June 30, 2009, the consolidated results of its operations and its consolidated cash flows for the six months then ended, and the consolidated changes in net assets for the six months then ended and for the year ended December 31, 2008. Subsequent events have been evaluated through August 28, 2009, the date of issuance of the financial statements. The following is a summary of the significant accounting policies of the Company and the Partnership.

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 Series A Preferred. Fair value is generally defined as the amount for which an investment could 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.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

2. Summary of Significant Accounting Policies (continued)

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 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.

On January 1, 2008, the Company and the Partnership adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), which defines fair value, expands disclosures about fair value measurements, and establishes a hierarchy that prioritizes the inputs used to measure fair value. The adoption of FAS 157 did not have a material impact on the financial statements of the Company or the Partnership. The level category in which an investment falls is based on the lowest level input that is significant to the valuation of the investment in its entirety. At June 30, 2009, the investments of the Partnership were categorized as follows:

| Level | Basis for Determining Fair Value  | Aggregate Value |
|-------|---|-----------------|
| 1     | Quoted prices in active markets for identical assets                                | \$ -            |
| 2     | Other observable market inputs*   | 70,860,640      |
| 3     | Independent third-party pricing sources that employ significant unobservable inputs | 245,432,729     |
| 3     | Internal valuations with significant unobservable inputs                            | 20,679,169      |

\* E.g. quoted prices in inactive markets or quotes for comparable instruments

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

2. Summary of Significant Accounting Policies (continued)

Changes in investments categorized as Level 3 during the six months ended June 30, 2009 were as follows:

|  | Independent<br>Third Party<br>Valuation | Investment<br>Manager<br>Valuation |
|--|---|------------------------------------|
| Beginning balance                          | \$ 268,078,662                          | \$ 48,236,979                      |
| Net realized and unrealized gains (losses) | (6,933,887)                             | (4,321,017)                        |
| Net acquisitions and dispositions          | (28,322,350)                            | -                                  |
| Net transfers into (out of) category       | 12,610,304                              | (23,236,793)                       |
| Ending balance                             | \$ 245,432,729                          | \$ 20,679,169                      |

|   |                |                |
|---|----------------|----------------|
| Net change in unrealized gains (losses) during the period on investments still held at period end (included in net realized and unrealized gains/losses, above) | \$ (2,889,194) | \$ (4,321,017) |
|---|----------------|----------------|

#### Investment Transactions

The Partnership records investment transactions on the trade date, except for private transactions that have conditions to closing, which are recorded on the closing date. The cost of investments purchased is based upon the purchase price plus those professional fees which are specifically identifiable to the investment transaction. Realized gains and losses on investments are recorded based on the specific identification method, which typically allocates the highest cost inventory to the basis of investments sold.

#### Cash and Cash Equivalents

Cash consists of amounts held in accounts with brokerage firms and the custodian bank. Cash equivalents consist of highly liquid investments with an original maturity of three months or less. For purposes of reporting cash flows, cash consists of the cash held with brokerage firms and the custodian bank, and cash equivalents maturing within 90 days.

#### Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Partnership's policy that its custodian take possession of the underlying collateral, the fair value of which is required to exceed the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the Partnership may be delayed or limited.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

2. Summary of Significant Accounting Policies (continued)

Restricted Investments

The Partnership may invest in instruments that are subject to legal or contractual restrictions on resale. These instruments generally may be resold to institutional investors in transactions exempt from registration or to the public if the securities are registered. Disposal of these investments may involve time-consuming negotiations and additional expense, and prompt sale at an acceptable price may be difficult. Information regarding restricted investments is included at the end of the Statement of Investments. Restricted investments, including any restricted investments in affiliates, are valued in accordance with the investment valuation policies discussed above.

Foreign Investments

The Partnership may invest in instruments traded in foreign countries and denominated in foreign currencies. At June 30, 2009, the Partnership held foreign currency denominated investments with an aggregate fair value of approximately 5.6% of the Partnership's total cash and investments. Such positions were converted at the closing rate in effect at June 30, 2009 and reported in U.S. dollars. Purchases and sales of investments and income and expense items denominated in foreign currencies, when they occur, are translated into U.S. dollars on the respective dates of such transactions. The portion of gains and losses on foreign investments resulting from fluctuations in foreign currencies is included in net realized and unrealized gain or loss from investments.

Investments in foreign companies and securities of foreign governments may involve special additional risks and considerations not typically associated with investing in U.S. companies and securities of the U.S. government. These risks include, among other things, revaluation of currencies, less reliable information about issuers, different transactions clearance and settlement practices and potential future adverse political and economic developments. Moreover, investments in some foreign companies and securities of foreign governments and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies and the U.S. government.

Derivatives

In order to mitigate certain currency exchange and interest rate risks, the Partnership has entered into several swaps and forward currency transactions. All derivatives are recognized as either assets or liabilities in the statement of assets and liabilities. The transactions entered into are accounted for using the mark-to-market method with the resulting change in fair value recognized in earnings for the current period.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

2. Summary of Significant Accounting Policies (continued)

Gains from swaps during the six months ended June 30, 2009 were included in the Statement of Operations as follows:

| Instrument                 | Location   | Gains     |
|----------------------------|--|-----------|
| Cross currency basis swaps | Net change in net unrealized depreciation on investments | \$ 67,660 |

Valuations of swap transactions at June 30, 2009 were determined as follows:

| Level | Basis for Determining Fair Value | Aggregate Value |
|-------|----------------------------------|-----------------|
| 2     | Other observable market inputs   | \$ (474,069)    |

Debt Issuance Costs

Costs of approximately \$3.5 million were incurred in connection with placing the Partnership's Senior Facility. These costs were deferred and are being amortized on a straight-line basis over eight years, the estimated life of the Senior Facility. The impact of utilizing the straight-line amortization method versus the effective-interest method is not expected to be material to the operations of the Company or the Partnership.

Purchase Discounts

The majority of the Partnership's high yield and distressed debt investments are purchased at a considerable discount to par as a result of the underlying credit risks and financial results of the issuer, as well as general market factors that influence the financial markets as a whole. GAAP requires that discounts on corporate (investment grade) bonds municipal bonds and treasury bonds be amortized using the effective-interest or constant-yield method. The process of accreting the purchase discount of a debt investment to par over the holding period results in accounting entries that increase the cost basis of the investment and record a noncash income accrual to the statement of operations. The Partnership considers it prudent to follow GAAP guidance that requires the Investment Manager to consider the collectibility of interest when making accruals. AICPA Statement of Position 93-1 discusses financial accounting and reporting for high yield debt investments for which, because of the credit risks associated with high yield and distressed debt investments, income recognition must be carefully considered and constantly evaluated for collectibility.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

2. Summary of Significant Accounting Policies (continued)

Accordingly, when accounting for purchase discounts, management recognizes discount accretion income when it is probable that such amounts will be collected and when such amounts can be estimated. A reclassification entry is recorded at disposition to reflect purchase discounts on all realized investments. For income tax purposes, the economic gain resulting from the sale of debt investments purchased at a discount is allocated between interest income and realized gains.

Income Taxes

The Company intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes. Accordingly, no provision for income taxes is required in the consolidated financial statements. The Partnership's income or loss is reported in the partners' income tax returns. As of June 30, 2009, all tax years of the Company and the Partnership since inception remain subject to examination by federal and state tax authorities. No such examinations are currently pending.

Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States. Capital accounts within the financial statements are adjusted at year-end for permanent book and tax differences. Temporary differences are primarily attributable to differing book and tax treatments for the timing of the recognition of gains and losses on certain investment transactions and the timing of the deductibility of certain expenses, and will reverse in subsequent periods.

Cost and unrealized appreciation (depreciation) for U.S. federal income tax purposes of the investments of the Partnership at June 30, 2009 were as follows:

|                             |                 |
|-----------------------------|-----------------|
| Unrealized appreciation     | \$ 34,198,214   |
| Unrealized depreciation     | (169,973,010)   |
| Net unrealized depreciation | \$(135,774,796) |
| Cost of investments         | \$ 472,273,265  |

Dividends to holders of the Series A Preferred are treated as ordinary income for federal tax purposes.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

2. Summary of Significant Accounting Policies (continued)

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.

3. Allocations and Distributions

Common distributions are generally based on the estimated taxable earnings of the Company, and are recorded on the ex-dividend date. Distributions to the common shareholders of the Company are generally based on distributions received from the Partnership, less any Company-level expenses and dividends to Series Z preferred shareholders.

Net income and gains of the Partnership are distributed first to the Company until it has received an 8% annual weighted-average return on its undistributed contributed equity, and then to the General Partner until it has received 20% of all cumulative income and gain distributions. 80% of all remaining net income and gain distributions are allocated to the Company, with the remaining 20% allocated to the General Partner. Net investment income or loss, realized gain or loss on investments, and appreciation or depreciation on investments for the period are allocated to the Company and the General Partner in a manner consistent with that used to determine distributions.

The timing of distributions to the Company is determined by the General Partner, which has provided the Investment Manager with certain criteria for such distributions. The timing and amount to be paid by the Company as a distribution to its shareholders is determined by its Board of Directors, which has provided the Investment Manager with criteria for such distributions. Any net long-term capital gains are distributed at least annually. As of June 30, 2009, the Company had distributed \$108,800,000 to the common shareholders since inception.

The Series Z share dividend rate is fixed at 8% per annum.



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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

4. Management Fees and Other Expenses

The Investment Manager receives an annual management and advisory fee, payable monthly in arrears, equal to 1.0% of the sum of the maximum amount of the Series A Preferred, the maximum amount available under the Senior Facility, the initial value of the contributed general partnership equity and the initial value of the contributed common equity, subject to reduction by the amount of the Senior Facility commitment when the Senior Facility is no longer outstanding, and by the amount of the Series A Preferred when less than \$1 million in liquidation value of preferred securities is outstanding. For purposes of computing the management fee, total capital during the six months ended June 30, 2009 was approximately \$678.8 million, consisting of contributed common equity of approximately \$419.0 million, contributed general partnership equity of approximately \$9.8 million, \$134 million of Series A Preferred and \$166 million of debt commitments. In addition to the management fee, the General Partner is entitled to a performance allocation as discussed in Note 3, above. As compensation for its services, the Co-Manager receives a portion of the management fees paid to the Investment Manager. The Co-Manager also receives a portion of any allocation paid to the General Partner.

The Company and the Partnership pay all respective expenses incurred in connection with the business of the Company and the Partnership, including fees and expenses of outside contracted services, such as custodian, administrative, legal, audit and tax preparation fees, costs of valuing investments, insurance costs, brokers' and finders' fees relating to investments and any other transaction costs associated with the purchase and sale of investments of the Partnership.

5. Senior Secured Revolving Credit Facility

The Partnership has entered into a credit agreement with certain lenders, which provides for a senior secured revolving credit facility (the "Senior Facility"), pursuant to which amounts may be drawn up to \$116 million. The Senior Facility matures July 31, 2014, subject to extension by the lenders at the request of the Partnership for one 12-month period.

Advances under the Senior Facility bear interest at LIBOR plus 0.375% per annum, except in the case of loans from CP Conduits, which bear interest at the higher of LIBOR plus 0.375% or the CP Conduit's cost of funds plus 0.375%, subject to certain limitations. In addition to amounts due on outstanding debt, the Senior Facility accrues commitment fees of 0.20% per annum on the unused portion of the Senior Facility, or 0.25% per annum when less than \$46,400,000 in borrowings are outstanding.

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

Notes to Consolidated Financial Statements (Unaudited) (Continued)

June 30, 2009

6. Commitments, Concentration of Credit Risk and Off-Balance Sheet Risk

The Partnership conducts business with brokers and dealers that are primarily headquartered in New York and Los Angeles and are members of the major securities exchanges. Banking activities are conducted with a firm headquartered in the New York area.

In the normal course of business, the Partnership's investment activities involve executions, settlement and financing of various transactions resulting in receivables from, and payables to, brokers, dealers and the Partnership's custodian. These activities may expose the Company and the Partnership to risk in the event such parties are unable to fulfill contractual obligations. Management does not anticipate any material losses from counterparties with whom it conducts business.

Consistent with standard business practice, the Company and the Partnership enter into contracts that contain a variety of indemnifications. The maximum exposure of the Company and the Partnership under these arrangements is unknown. However, the Company and the Partnership expect the risk of loss to be remote.

The Consolidated Statement of Investments includes certain revolving loan facilities held by the Partnership with aggregate unfunded balances of approximately \$2.4 million at June 30, 2009. These instruments are reflected at fair value and may be drawn up to the principal amount shown.

7. Related Parties

From time to time the Partnership advances payments to third parties on behalf of the Company which are reimbursable through deductions from distributions to the Company.

8. Series Z Preferred Capital

In addition to the Series A Preferred of the Partnership described in Note 1, the Company had 47 Series Z preferred shares authorized, issued and outstanding as of June 30, 2009. The Series Z preferred shares have a liquidation preference of \$500 per share plus accumulated but unpaid dividends and pay dividends at an annual rate equal to 8% of liquidation preference. The Series Z preferred shares are redeemable at any time at the option of the Company and may only be transferred with the consent of the Company.

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

Notes to Consolidated Financial Statements (Continued)

June 30, 2009

9. Financial Highlights

|   | Six Months Ended             |                                 |                      | July 31, 2006                       |
|---|------------------------------|---------------------------------|----------------------|-------------------------------------|
|   | June 30, 2009<br>(Unaudited) | Year Ended December 31,<br>2008 | December 31,<br>2007 | (Inception) to<br>December 31, 2006 |
| <b>Per Common Share</b>   |                              |                                 |                      |                                     |
| Net asset value, beginning of year  | \$ 467.22                    | \$ 936.95                       | \$ 1,036.13          | \$ 1,000.00                         |
| <b>Investment operations:</b>   |                              |                                 |                      |                                     |
| Net investment income   | 18.00                        | 53.75                           | 166.54               | 48.14                               |
| Net realized and unrealized gain on investments and foreign currency      | 10.02                        | (499.51)                        | (28.73)              | 62.27                               |
| <b>Distributions to minority interestholder from:</b>                     |                              |                                 |                      |                                     |
| Net investment income   | -                            | -                               | (29.74)              | (7.98)                              |
| Net realized gains  | -                            | -                               | (17.76)              | (3.39)                              |
| Returns of capital  | -                            | -                               | (1.30)               | -                                   |
| Net change in undistributed earnings of minority interest holder          | -                            | 7.52                            | 24.89                | (9.10)                              |
| Dividends on Series A preferred equity facility                           | (4.09)                       | (14.21)                         | (19.96)              | (3.38)                              |
| Net change in accumulated dividends on Series A preferred equity facility | 1.74                         | 1.82                            | 0.35                 | (4.98)                              |
| <b>Dividends to Series Z preferred shareholders from:</b>                 |                              |                                 |                      |                                     |
| Net investment income   | -                            | (0.01)                          | -                    | -                                   |
| Net change in reserve for dividends to Series Z preferred shareholders    | -                            | 0.01                            | -                    | -                                   |
| <b>Total from investment operations</b>                                   | <b>25.67</b>                 | <b>(450.63)</b>                 | <b>94.29</b>         | <b>81.58</b>                        |
| <b>Distributions to common shareholders from:</b>                         |                              |                                 |                      |                                     |
| Net investment income   | -                            | (19.10)                         | (117.36)             | (31.90)                             |
| Net realized gains  | -                            | -                               | (71.03)              | (13.55)                             |
| Returns of capital  | -                            | -                               | (5.08)               | -                                   |
| <b>Total distributions to common shareholders</b>                         | <b>-</b>                     | <b>(19.10)</b>                  | <b>(193.47)</b>      | <b>(45.45)</b>                      |
| Net asset value, end of year  | \$ 492.89                    | \$ 467.22                       | \$ 936.95            | \$ 1,036.13                         |

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|   |      |         |        |        |
|---|------|---------|--------|--------|
| Return on invested assets (1), (2)  | 4.8% | (31.7)% | 11.7%  | 8.4%   |
| Gross return to common shareholders<br>(1)  | 5.5% | (49.3)% | 11.4%  | 10.3%  |
| Less: Allocation to General Partner of Special Value<br>Continuation Partners, LP (1) | 0.0% | 0.5%    | (2.2)% | (2.1)% |
| Return to common shareholders (1),<br>(3)   | 5.5% | (48.8)% | 9.2%   | 8.2%   |

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

Notes to Consolidated Financial Statements (Continued)

June 30, 2009

9. Financial Highlights (continued)

|  | Six Months<br>Ended<br>June 30, 2009<br><br>(Unaudited) | Year Ended December 31,<br><br>2008                      2007 |                | July 31, 2006<br>(Inception) to<br>December 31,<br>2006 |
|--|---|---|----------------|---|
| <b>Ratios and Supplemental Data:</b>   |   |   |                |   |
| Ending net assets attributable to common shareholders  | \$ 206,500,958  | \$ 195,745,577  | \$ 392,541,013 | \$ 434,092,909  |
| Net investment income / average common shareholder equity (4), (5), (6)                      | 8.0%  | 6.9%  | 12.8%          | 10.4%   |
| <b>Operating expenses and General Partner allocation / average common shareholder equity</b> |   |   |                |   |
| Operating expenses (4), (6)  | 4.9%  | 4.5%  | 4.6%           | 5.7%  |
| General Partner allocation (1)   | -   | (1.0)%  | 2.3%           | 2.0%  |
| Total expenses and General Partner allocation  | 4.9%  | 3.5%  | 6.9%           | 7.7%  |
| Portfolio turnover rate (1), (7)   | 14.0%   | 33.3%   | 64.6%          | 17.3%   |
| Weighted-average debt outstanding  | \$ 29,607,735   | \$ 123,873,973  | \$ 162,460,274 | \$ 168,292,208  |
| Weighted-average interest rate   | 1.2%  | 3.7%  | 5.8%           | 5.8%  |
| Weighted-average number of shares  | 418,956   | 418,956   | 418,956        | 418,956   |
| Average debt per share   | \$ 70.67  | \$ 295.67   | \$ 387.77      | \$ 401.69   |

Annualized Inception-to-Date Performance Data as of June 30, 2009:

|  |         |
|--|---------|
| Return on common shareholder equity (3)                  | (14.2)% |
| Return on invested assets (2)                            | (4.8)%  |
| Internal rate of return to common shareholder equity (8) | (11.6)% |

(1) Not annualized for periods of less than one year.

(2)

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Return on invested assets is a time-weighted, geometrically linked rate of return and excludes cash and cash equivalents.

- (3) Returns (net of dividends on the preferred equity facility, allocations to General Partner and fund expenses, including financing costs and management fees) are calculated on a monthly geometrically linked, time-weighted basis.
- (4) Annualized for periods of less than one year.
- (5) Net of income and expense allocation to the minority interestholder.
- (6) These ratios include interest expense but do not reflect the effect of dividends on the preferred equity facility.
- (7) Excludes securities acquired from Special Value Bond Fund II, LLC and Special Value Absolute Return Fund, LLC at the inception of the Company and the Partnership.
- (8) Net of dividends on the preferred equity facility of the Partnership, allocation to General Partner, and fund expenses, including financing costs and management fees. 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 cash outlays. The internal rate of return presented assumes liquidation of the fund at net asset value as of the balance sheet date, and is reduced by the organizational costs that were expensed at the inception of the Company.

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

Consolidated Schedule of Changes in Investments in Affiliates (1) (Unaudited)

Six Months Ended June 30, 2009

| Security   | Value,<br>Beginning<br>of Period | Acquisitions | Dispositions | Value,<br>End of<br>Period |
|--|----------------------------------|--------------|--------------|----------------------------|
| Anacomp, Inc., Common Stock  | \$ 4,971,987                     | \$ -         | \$ -         | \$ 2,815,160               |
| Anacomp, Inc., Promissory Note, LIBOR + 6.5% PIK,<br>due 8/31/09                               | 1,081,614                        | -            | -            | 1,212,873                  |
| Anacomp, Inc., Senior Secured Subordinated Notes, 14%<br>PIK,<br>due 3/12/13                   | 7,259,224                        | -            | -            | 7,846,795                  |
| EaglePicher Corporation, 1st Lien Tranche B Term Loan<br>LIBOR + 4.5%, due 12/31/12            | 6,946,821                        | -            | -            | 7,533,281                  |
| EaglePicher Corporation, 2nd Lien Term Loan<br>LIBOR + 7.5%, due 12/31/13                      | 5,862,500                        | -            | (5,862,500)  | -                          |
| EaglePicher Holdings, Inc., Common Stock   | 40,057,651                       | -            | -            | 40,353,013                 |
| ESP Holdings, Inc., 1st Lien Revolver<br>LIBOR + 4.5%, due 06/30/09                            | 79,263                           | -            | (79,263)     | -                          |
| ESP Holdings, Inc., 1st Lien Term Loan<br>LIBOR + 4.5%, due 6/30/09                            | 1,244,052                        | -            | (1,244,052)  | -                          |
| ESP Holdings, Inc., 2nd Lien Term Loan<br>LIBOR + 10%, due 9/12/14                             | 15,187,920                       | -            | (15,187,920) | -                          |
| ESP Holdings, Inc., Junior Unsecured Subordinated<br>Promissory<br>Notes, 18% PIK, due 3/31/15 | 5,479,440                        | -            | -            | 5,913,358                  |
| ESP Holdings, Inc., Common Stock   | 18,169,132                       | -            | -            | 16,871,337                 |
| ESP Holdings, Inc., 15% PIK, Preferred Stock   | 5,283,853                        | -            | -            | 5,160,563                  |
| International Wire Group, Inc., Common Stock   | 36,461,303                       | -            | -            | 29,691,615                 |
| Interstate Fibernet, Inc., 1st Lien Term Loan,<br>LIBOR + 4%, due 7/31/13                      | 8,189,645                        | -            | -            | 9,304,835                  |
| Interstate Fibernet, Inc., 2nd Lien Senior Secured Note,<br>LIBOR + 7.5%, due 7/31/14          | 6,360,297                        | -            | -            | 7,540,429                  |
| ITC^DeltaCom, Inc., Common Stock   | 5,445,034                        | -            | -            | 10,890,068                 |

Note to Schedule of Changes in Investments in Affiliates:

(1) The issuers of the securities listed on this schedule are considered affiliates under the Investment Company Act of 1940 due to the ownership by the Company of 5% or more of the issuer's voting securities.

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

Consolidating Statement of Assets and Liabilities (Unaudited)

June 30, 2009

|   | Special Value<br>Continuation<br>Fund, LLC<br>Standalone | Special Value<br>Continuation<br>Partners, LP<br>Standalone | Eliminations         | Special Value<br>Continuation<br>Fund, LLC<br>Consolidated |
|---|--|---|----------------------|--|
| <b>Assets</b>   |  |   |                      |  |
| <b>Investments:</b>   |  |   |                      |  |
| Unaffiliated issuers  | \$ -   | \$ 191,839,211  | \$ -                 | \$ 191,839,211   |
| Investment in subsidiary                                    | 206,798,544  | -   | (206,798,544)        | -  |
| Controlled companies  | -  | 11,874,828  | -                    | 11,874,828   |
| Other affiliates  | -  | 133,258,499   | -                    | 133,258,499  |
| <b>Total investments</b>                                    | <b>206,798,544</b>                                       | <b>336,972,538</b>  | <b>(206,798,544)</b> | <b>336,972,538</b>   |
| Cash and cash equivalents                                   | 1,342  | 57,934,282  | -                    | 57,935,624   |
| Accrued interest income                                     | -  | 3,885,528   | -                    | 3,885,528  |
| Receivable for investment securities sold                   | -  | 10,384,197  | -                    | 10,384,197   |
| Deferred debt issuance costs                                | -  | 2,240,044   | -                    | 2,240,044  |
| Receivable from parent                                      | -  | 179,811   | (179,811)            | -  |
| Prepaid expenses and other assets                           | 118,712  | 160,017   | -                    | 278,729  |
| <b>Total assets</b>   | <b>206,918,598</b>                                       | <b>411,756,417</b>  | <b>(206,978,355)</b> | <b>411,696,660</b>   |
| <b>Liabilities</b>  |  |   |                      |  |
| Credit facility payable                                     | -  | 64,000,000  | -                    | 64,000,000   |
| Payable for investment securities purchased                 | -  | 4,989,066   | -                    | 4,989,066  |
| Management and advisory fees payable                        | -  | 565,599   | -                    | 565,599  |
| Interest payable  | -  | 69,314  | -                    | 69,314   |
| Unrealized depreciation on swaps                            | -  | 474,069   | -                    | 474,069  |
| Payable to subsidiary                                       | 179,811  | -   | (179,811)            | -  |
| Payable to affiliate  | -  | 88,754  | -                    | 88,754   |
| Accrued expenses and other liabilities                      | 213,381  | 327,237   | -                    | 540,618  |
| <b>Total liabilities</b>                                    | <b>393,192</b>   | <b>70,514,039</b>   | <b>(179,811)</b>     | <b>70,727,420</b>  |
| <b>Preferred stock</b>                                      |  |   |                      |  |
| Series Z preferred stock                                    | 23,500   | -   | -                    | 23,500   |
| Accumulated dividends on Series Z preferred stock           | 948  | -   | -                    | 948  |
| <b>Total preferred stock</b>                                | <b>24,448</b>  | <b>-</b>  | <b>-</b>             | <b>24,448</b>  |
| <b>Preferred equity facility</b>                            |  |   |                      |  |
| Series A preferred limited partner interests                | -  | 134,000,000   | -                    | 134,000,000  |
| Accumulated dividends on Series A preferred equity facility | -  | 443,834   | -                    | 443,834  |
| <b>Total preferred limited partner interests</b>            | <b>-</b>   | <b>134,443,834</b>  | <b>-</b>             | <b>134,443,834</b>   |



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Minority interests

General partner interest in Special Value  
Continuation Partners, LP

|  |   |   |   |   |
|--|---|---|---|---|
|  | - | - | - | - |
|--|---|---|---|---|

|            |                |                |                  |                |
|------------|----------------|----------------|------------------|----------------|
| Net assets | \$ 206,500,958 | \$ 206,798,544 | \$ (206,798,544) | \$ 206,500,958 |
|------------|----------------|----------------|------------------|----------------|

Composition of net assets

|              |        |      |      |        |
|--------------|--------|------|------|--------|
| Common stock | \$ 419 | \$ - | \$ - | \$ 419 |
|--------------|--------|------|------|--------|

|  |             |   |   |             |
|--|-------------|---|---|-------------|
| Paid-in capital in excess of par, net of<br>contributed unrealized gains | 364,767,103 | - | - | 364,767,103 |
|--|-------------|---|---|-------------|

|                 |   |             |               |   |
|-----------------|---|-------------|---------------|---|
| Paid-in capital | - | 358,636,781 | (358,636,781) | - |
|-----------------|---|-------------|---------------|---|

|                        |               |               |             |               |
|------------------------|---------------|---------------|-------------|---------------|
| Distributable earnings | (158,265,616) | (151,838,237) | 151,838,237 | (158,265,616) |
|------------------------|---------------|---------------|-------------|---------------|

|                   |   |   |   |   |
|-------------------|---|---|---|---|
| Minority interest | - | - | - | - |
|-------------------|---|---|---|---|

|   |       |   |   |       |
|---|-------|---|---|-------|
| Accumulated dividends to Series Z preferred<br>shareholders | (948) | - | - | (948) |
|---|-------|---|---|-------|

|            |                |                |                  |                |
|------------|----------------|----------------|------------------|----------------|
| Net assets | \$ 206,500,958 | \$ 206,798,544 | \$ (206,798,544) | \$ 206,500,958 |
|------------|----------------|----------------|------------------|----------------|

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

Consolidating Statement of Operations (Unaudited)

Six Months Ended June 30, 2009

|  | Special Value<br>Continuation<br>Fund, LLC<br>Standalone | Special Value<br>Continuation<br>Partners, LP<br>Standalone | Eliminations | Special Value<br>Continuation<br>Fund, LLC<br>Consolidated |
|--|--|---|--------------|--|
| <b>Investment income</b>                                   |  |   |              |  |
| Interest income:   |  |   |              |  |
| Unaffiliated issuers                                       | \$ -   | \$ 9,506,869  | \$ -         | \$ 9,506,869   |
| Controlled companies                                       | -  | 634,336   | -            | 634,336  |
| Other affiliates   | -  | 1,853,927   | -            | 1,853,927  |
| Other income:  |  |   |              |  |
| Unaffiliated issuers                                       | -  | 142,651   | -            | 142,651  |
| Other affiliates   | -  | 18,222  | -            | 18,222   |
| Total interest and related investment income               | -  | 12,156,005  | -            | 12,156,005   |
| <b>Operating expenses</b>                                  |  |   |              |  |
| Management and advisory fees                               | -  | 3,393,594   | -            | 3,393,594  |
| Legal fees, professional fees and due diligence expenses   | 6,441  | 230,680   | -            | 237,121  |
| Amortization of deferred debt issuance costs               | -  | 218,335   | -            | 218,335  |
| Interest expense   | -  | 191,672   | -            | 191,672  |
| Commitment fees  | -  | 108,625   | -            | 108,625  |
| Director fees  | 28,374   | 56,126  | -            | 84,500   |
| Insurance expense  | 19,908   | 39,816  | -            | 59,724   |
| Custody fees   | 1,750  | 47,264  | -            | 49,014   |
| Other operating expenses                                   | 58,581   | 214,186   | -            | 272,767  |
| Total expenses   | 115,054  | 4,500,298   | -            | 4,615,352  |
| Net investment income                                      | (115,054)  | 7,655,707   | -            | 7,540,653  |
| <b>Net realized and unrealized gain (loss)</b>             |  |   |              |  |
| Net realized gain (loss) from:                             |  |   |              |  |
| Investments in unaffiliated issuers                        | -  | (5,662,223)   | -            | (5,662,223)  |
| Investments in affiliated issuers                          | -  | (4,128,345)   | -            | (4,128,345)  |
| Foreign currency transactions                              | -  | 74,519  | -            | 74,519   |
| Net realized loss  | -  | (9,716,049)   | -            | (9,716,049)  |
| Net change in net unrealized appreciation/depreciation on: |  |   |              |  |
| Investments  | 10,871,367   | 13,996,213  | (10,871,367) | 13,996,213   |
| Foreign currency   | -  | (80,759)  | -            | (80,759)   |
| Net change in unrealized appreciation/depreciation         | 10,871,367   | 13,915,454  | (10,871,367) | 13,915,454   |
| Net realized and unrealized gain                           | 10,871,367   | 4,199,405   | (10,871,367) | 4,199,405  |

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|   |               |               |                |               |
|---|---------------|---------------|----------------|---------------|
| Dividends paid on Series A preferred equity facility                      | -             | (1,713,379)   | -              | (1,713,379)   |
| Net change in accumulated dividends on Series A preferred equity facility | -             | 729,634       | -              | 729,634       |
| Net change in reserve for dividends to Series Z preferred shareholders    | (932)         | -             | -              | (932)         |
| Net increase in net assets resulting from operations                      | \$ 10,755,381 | \$ 10,871,367 | \$(10,871,367) | \$ 10,755,381 |

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

Approval of Investment Management Agreements  
(Unaudited)

On May 6, 2009, the Boards of Directors of the Company and the Partnership, including the “non-interested” Directors (the “Independent Directors”), voted to approve the respective Investment Management Agreement and Co-Management Agreement of the Company and the Partnership (each a “Management Agreement” and collectively, the “Management Agreements”) for an additional one-year term.

In considering whether to recommend re-approval of the Management Agreements, the Independent Directors reviewed materials provided by the Investment Manager, the Co-Manager, fund counsel and independent counsel. The Directors also met with senior personnel of the Investment Manager and discussed a number of topics affecting their determination, including the following.

(i) The nature, extent and quality of services provided by the Investment Manager and Co-Manager. The Independent Directors reviewed the services that the Investment Manager and Co-Manager provide to the Company and the Partnership. The Independent Directors noted the comprehensive range of such services and that the Investment Manager had developed reporting, valuation and other procedures that were customized to the specialized natures of the Company and the Partnership, and that the Investment Manager had expertise in administering such procedures. In addition, the Independent Directors considered the size, education, background and experience of the Investment Manager’s and Co-Manager’s staff. They also took into consideration the Investment Manager’s and Co-Manager’s quality of service and noted their longevity in the industry. Lastly, the Independent Directors reviewed the Investment Manager’s ability to attract and retain quality and experienced personnel. The Independent Directors concluded that the scope of services expected to be provided by the Investment Manager and Co-Manager to the Company and the Partnership and the experience and expertise of the personnel performing such services was consistent with the nature, extent and quality expected of an Investment Manager of investment vehicles such as the Company and the Partnership.

(ii) Investment performance of the Company, the Partnership and the Investment Manager. The Independent Directors reviewed the past investment performance of the Company and the Partnership and other funds for which the Investment Manager provides investment advisory services, both on an absolute basis and as compared to other funds that had invested in similar investments, as well as general market indices, and the Independent Directors noted that the Company and the Partnership had performed satisfactorily in light of the extremely adverse market conditions during 2008. The Independent Directors discussed the circumstances surrounding the performance of the Company and the Partnership as well as actions to be taken and prospects for improved performance in the future.

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

Approval of Investment Management Agreements (Continued)  
(Unaudited)

(iii) Cost of the services provided and profits realized by the Investment Manager from its relationship with the Company and the Partnership. The Independent Directors considered the cost of the services provided by the Investment Manager. As part of their analysis, the Independent Directors gave substantial consideration to the compensation payable to the Investment Manager, the terms of which are summarized in the footnotes to the financial statements included in this report. The Independent Directors also noted the types of expenses for which the Company and the Partnership on the one hand, or the Investment Manager and Co-Manager on the other, are responsible. In reviewing the management compensation, the Independent Directors considered the management fees and operating expense ratios of other registered and non-registered funds managed by the Investment Manager and by other managers that had somewhat comparable investment programs. The Independent Directors also noted that the compensation provisions had been subject to extensive discussion with several of the large institutional investors in the Company and the Partnership.

The Independent Directors also reviewed information regarding the profitability to the Investment Manager of its relationship with the Company and the Partnership and information on the financial condition of the Investment Manager. The Independent Directors noted that the Investment Manager and Co-Manager and their affiliates did not receive revenues from any other source, such as brokerage commissions or origination fees, in relation to the Company and the Partnership. The Independent Directors found that the profits realized by the Investment Manager from its relationship with the Company and the Partnership were reasonable and consistent with the Investment Manager's fiduciary duties. The Independent Directors noted that the Co-Manager was unable to provide the Directors with the information requested on the profitability to the Co-Manager of its relationship with the Company and the Partnership. The Independent Directors also found that the Investment Manager and Co-Manager each had the financial resources necessary to continue to carry out their respective functions.

The Independent Directors concluded that the management and performance fees for the Investment Manager and Co-Manager were reasonable.

(iv) The extent to which economies of scale would be realized as the Company and the Partnership grow and whether fee levels would reflect such economies of scale. In light of the Company's and the Partnership's predetermined sizes and policies of distributing all realized income, the Independent Directors determined that the possibility of economies of scale was not relevant with respect to the current structures of the Company and the Partnership and accordingly did not consider whether fee levels would reflect any economies of scale.

In considering the Management Agreements, no single factor was determinative to the decision of the Directors. Rather, after weighing all of the reasons discussed above, the Independent Directors unanimously recommended re-approval of each of the Management Agreements.

ITEM 2. CODE OF ETHICS.

Not applicable for filing of Semiannual Reports to Shareholders.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable for filing of Semiannual Reports to Shareholders.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable for filing of Semiannual Reports to Shareholders.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS

Included in Semiannual Shareholder Report in Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable for filing of Semiannual Reports to Shareholders.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT COMPANIES.

Not applicable for filing of Semiannual Reports to Shareholders.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

None.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported in a timely manner.

(b) None.

ITEM 12. EXHIBITS.

(a) (1) Not applicable for filing of Semiannual Reports to Shareholders.

(a) (2) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is filed and attached hereto as Exhibit 99.CERT.

(a) (3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) is furnished and attached hereto as Exhibit 99.906CERT.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Special Value Continuation Fund, LLC

By: /s/ Hugh Steven Wilson  
Name: Hugh Steven Wilson  
Title: Chief Executive Officer  
Date: August 28, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Hugh Steven Wilson  
Name: Hugh Steven Wilson  
Title: Chief Executive Officer  
Date: August 28, 2009

By: /s/ Paul L. Davis  
Name: Paul L. Davis  
Title: Chief Financial Officer  
Date: August 28, 2009

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