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Special Value Continuation Fund, LLC

Form N-30B-2

December 09, 2010

Consolidated Financial Statements

(Unaudited)

Special Value Continuation Fund, LLC

(A Delaware Limited Liability Company)

September 30, 2010

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

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September 30, 2010

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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)

Consolidated Portfolio Asset Allocation (Unaudited)

September 30, 2010

Industry	Percent of Cash and Investments
Wired Telecommunications Carriers	13.7%
Other Electrical Equipment and Component Manufacturing	9.5%
Architectural, Engineering, and Related Services	9.5%
Nonferrous Metal (except Aluminum) Production and Processing	9.4%
Other Information Services	6.2%
Radio and Television Broadcasting	4.5%
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	3.4%
Other Financial Investment Activities	3.3%
Scheduled Air Transportation	3.0%
Communications Equipment Manufacturing	2.9%
Full-Service Restaurants	2.9%
Accounting, Tax Preparation, Bookkeeping, and Payroll Services	2.3%
Industrial Machinery Manufacturing	2.1%
Electric Power Generation, Transmission and Distribution	2.0%
Book, Periodical, and Music Stores	1.8%
Support Activities for Mining	1.8%
Other Investment Pools and Funds	1.6%
Other Professional, Scientific, and Technical Services	1.5%
Gambling Industries	1.4%
Computer and Peripheral Equipment Manufacturing	1.3%
Offices of Real Estate Agents and Brokers	1.0%
Aerospace Product and Parts Manufacturing	0.9%
Basic Chemical Manufacturing	0.9%
Oil and Gas Extraction	0.8%
Data Processing, Hosting, and Related Services	0.7%
Semiconductor and Other Electronic Component Manufacturing	0.7%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	0.7%
Health and Personal Care Stores	0.4%
Depository Credit Intermediation	0.4%
Other Amusement and Recreation Industries	0.1%
Support Activities for Air Transportation	0.0%
Wireless Telecommunications Carriers (except Satellite)	0.0%
Cash and Cash Equivalents	9.3%
Total	100.0%

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

Consolidated Statement of Assets and Liabilities (Unaudited)

September 30, 2010

Assets	
Investments, at fair value:	
Unaffiliated issuers (cost \$316,903,044)	\$ 270,261,839
Controlled companies (cost \$26,711,048)	2,576,906
Other affiliates (cost \$115,589,219)	141,822,056
Total investments (cost \$459,203,311)	414,660,801
Cash and cash equivalents	42,683,867
Accrued interest income:	
Unaffiliated issuers	5,470,939
Other affiliates	875,771
Receivable for investment securities sold	7,151,029
Deferred debt issuance costs	1,688,779
Prepaid expenses and other assets	120,588
Total assets	472,651,774
Liabilities	
Credit facility payable	55,000,000
Payable for investment securities purchased	16,527,605
Distribution payable	8,000,000
Management and advisory fees payable	565,599
Payable to affiliate	102,462
Unrealized depreciation on swaps	88,099
Interest payable	64,728
Accrued expenses and other liabilities	413,217
Total liabilities	80,761,710
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	1,422
Total Series Z preferred stock	24,922
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	430,590
Total preferred limited partner interests	134,430,590
Net assets applicable to common shareholders	\$ 257,434,552
Composition of net assets applicable to common shareholders	
Common stock, \$0.001 par value; unlimited shares authorized, 418,955.777 shares	

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issued and outstanding	\$	419
Paid-in capital in excess of par, net of contributed unrealized gains		364,764,708
Accumulated net investment income		12,034,562
Accumulated net realized losses		(74,557,832)
Accumulated net unrealized depreciation		(44,805,883)
Accumulated dividends to Series Z preferred shareholders		(1,422)
Net assets applicable to common shareholders	\$	257,434,552
Common stock, NAV per share	\$	614.47

See accompanying notes.

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

Consolidated Statement of Investments (Unaudited)

September 30, 2010

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Investments (58.86%)			
Bank Debt (26.52%) (1)			
Book, Periodical, and Music Stores (1.83%)			
Borders Group, Inc., 2nd Lien Term Loan, LIBOR + 12.25%, due 4/1/14	\$ 9,209,286	\$ 8,393,142	1.83%
Communications Equipment Manufacturing (2.89%)			
Mitel Networks Corporation, 1st Lien Term Loan, LIBOR + 3.25%, due 8/10/14	\$ 14,737,688	13,227,075	2.89%
Computer and Peripheral Equipment Manufacturing (1.27%)			
Targus Group, 1st Lien Term Loan, LIBOR + 5.75% Cash + 3.5% PIK, due 11/22/12	\$ 6,623,429	5,824,478	1.27%
Electric Power Generation, Transmission and Distribution (2.05%)			
La Paloma Generating Company, Residual Bank Debt (3)	\$ 23,218,322	211,506	0.05%
Texas Competitive Electric Holdings Company, LLC, B3 Term Loan, LIBOR + 3.5%, due 10/10/14	\$ 6,276,223	4,870,173	1.06%
Texas Competitive Electric Holdings Company, LLC, Delayed Draw Term Loan, LIBOR + 3.5%, due 10/10/14	\$ 5,542,469	4,286,562	0.94%
Total Electric Power Generation, Transmission and Distribution		9,368,241	
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (0.69%)			
Precision Partners Holdings, 1st Lien Delayed Draw Term Loan, LIBOR + 6.5%, due 10/2/13	\$ 264,675	209,093	0.05%
Precision Partners Holdings, 1st Lien Term Loan, LIBOR + 6.5%, due 10/2/13	\$ 3,725,097	2,942,827	0.64%
Total Machine Shops; Turned Products; and Screw, Nut, and Bolt Manufacturing		3,151,920	

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Offices of Real Estate Agents and Brokers (1.00%)			
Realogy Corporation, 2nd Lien Term Loan A, 13.5%, due 10/15/17	\$ 6,891,566	7,351,006	1.61%
Realogy Corporation, Revolver, LIBOR + 2.25%, due 4/10/13	\$ 15,897,590	(2,782,078)	(0.61)%
Total Offices of Real Estate Agents and Brokers		4,568,928	
Other Financial Investment Activities (3.30%)			
American Capital, Ltd., Senior Secured 1st Lien Term Loan, LIBOR + 6.5%, due 12/31/12	\$ 10,071,825	10,090,710	2.21%
Marsico Capital Management, Senior Secured 1st Lien Term Loan, LIBOR + 5%, due 12/14/14	\$ 6,494,660	4,968,415	1.09%
Total Other Financial Investment Activities		15,059,125	
Other Investment Pools and Funds (1.56%)			
Vion Holdings II, LLC, Senior Secured Term Loan, LIBOR + 11%, due 2/27/12	\$ 8,603,659	7,150,648	1.56%
Radio and Television Broadcasting (4.36%)			
Encompass Digital Media Group, Inc., 1st Lien Revolver, 13%, due 12/31/14	\$ 2,343,750	828,125	0.18%
Encompass Digital Media Group, Inc., 1st Lien Term Loan, 13%, due 12/31/14	\$ 18,378,947	19,114,105	4.18%
Total Radio and Television Broadcasting		19,942,230	

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

September 30, 2010

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Investments (continued)			
Support Activities for Mining (1.83%)			
Trico Marine Services, Inc., 1st Lien Term Loan, LIBOR + 11.5%, due 12/31/11	\$ 3,277,291	\$ 3,277,291	0.72%
Trico Marine Services, Inc., Senior Secured Super Priority DIP Term Loan, LIBOR + 11.5%, due 3/11/11	\$ 1,310,916	1,310,916	0.29%
Trico Shipping AS, 1st Lien Term Loan A, 13.5%, due 7/1/14 - (Norway)	\$ 3,683,509	3,624,573	0.79%
Trico Shipping AS, Priority 1st Lien Term Loan A, 13.5%, due 9/21/11 - (Norway)	\$ 129,000	129,000	0.03%
Trico Shipping AS, Priority 1st Lien Term Loan B, 13.5%, due 9/21/11 - (Norway)	\$ 60,000	-	-
Total Support Activities for Mining		8,341,780	
Wired Telecommunications Carriers (5.74%)			
Bulgaria Telecom Company AD, 1st Lien Tranche B Term Loan, EURIBOR + 2.75%, due 8/9/15 - (Netherlands) (4)	€ 2,113,201	2,359,361	0.52%
Integra Telecom Holdings, Inc., 1st Lien Term Loan, LIBOR + 7.25%, due 4/15/15	\$ 1,985,377	1,996,545	0.44%
NEF Telecom Company BV, 1st Lien Tranche C Term Loan, EURIBOR + 3.50%, due 8/9/16 - (Netherlands) (4)	€ 4,927,730	5,404,399	1.18%
NEF Telecom Company BV, 2nd Lien Tranche D Term Loan, EURIBOR + 5.5%, due 2/16/17 - (Netherlands) (4)	€ 2,535,452	2,694,354	0.59%
NEF Telecom Company BV, Mezzanine Term Loan, EURIBOR + 10% PIK, due 8/16/17 - (Netherlands) (4)	€ 17,942,492	13,762,451	3.01%
Total Wired Telecommunications Carriers		26,217,110	
Total Bank Debt (Cost \$131,108,376)		121,244,677	
Other Corporate Debt Securities (32.34%)			
Accounting, Tax Preparation, Bookkeeping, and Payroll Services (2.25%)	\$ 6,459,000	5,370,206	1.17%

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NCO Group, Inc., Senior Secured Floating Rate Notes,
LIBOR + 4.875%, due 11/15/13

NCO Group, Inc., Senior Subordinated Notes, 11.875%, due 11/15/14	\$	5,463,000	4,950,625	1.08%
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Total Accounting, Tax Preparation, Bookkeeping, and
Payroll Services

10,320,831

Aerospace Product and Parts Manufacturing (0.89%)

Hawker Beechcraft, Inc., Senior Secured Notes, 8.5%, due 4/1/15	\$	3,332,000	2,595,995	0.57%
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Hawker Beechcraft, Inc., Senior Secured Notes, 8.875%
Cash or 9.625% PIK,
due 4/1/15

\$	1,979,000	1,486,704	0.32%
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Total Aerospace Product and Parts Manufacturing

4,082,699

Architectural, Engineering, and Related Services (4.79%)

Alion Science & Technology Corporation, Senior Notes, 10.25%, due 2/1/15	\$	14,914,000	11,249,481	2.46%
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Alion Science & Technology Corporation, Senior Secured
Notes, 10% Cash + 2%
PIK, due 11/1/14

\$	2,625,683	2,638,601	0.58%
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ESP Holdings, Inc., Junior Unsecured Subordinated
Promissory Notes, 18% PIK,
due 3/31/15 (2), (5)

\$	8,010,534	8,010,534	1.75%
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Total Architectural, Engineering, and Related Services

21,898,616

Basic Chemical Manufacturing (0.89%)

Kronos International, Inc., Senior Secured Notes, 6.5%, due 4/15/13 (4)	€	3,174,000	4,079,202	0.89%
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Special Value Continuation Fund, LLC

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Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2010

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount	Fair Value	Percent of Cash and Investments
Debt Investments (continued)			
Data Processing, Hosting, and Related Services (0.18%)			
Terremark Worldwide, Inc., Senior Secured Notes, 12%, due 6/15/17 (5)	\$ 703,000	\$ 804,935	0.18%
Full-Service Restaurants (2.85%)			
Real Mex Restaurants, Inc., Senior Secured Notes, 14%, due 1/1/13 (5)	\$ 12,693,000	13,038,250	2.85%
Gambling Industries (1.36%)			
Harrah's Operating Company, Inc., Senior Secured Notes, 11.25%, due 6/1/17	\$ 18,000	19,890	-
Harrah's Operating Company, Inc., Senior Secured Notes, 10%, due 12/15/18	\$ 7,695,000	6,213,712	1.36%
Total Gambling Industries		6,233,602	
Health and Personal Care Stores (0.44%)			
Rite Aid Corporation, Senior Unsecured Notes, 9.5%, due 6/15/17	\$ 2,360,000	1,993,398	0.44%
Industrial Machinery Manufacturing (1.51%)			
GSI Group, Inc., Senior Secured Notes, 12.25% Cash or 13% PIK, due 1/15/14 (5)	\$ 6,912,000	6,912,000	1.51%
Nonferrous Metal (except Aluminum) Production and Processing (2.03%)			
International Wire Group, Inc., Senior Secured Notes, 9.75%, due 4/15/15 (2), (5)	\$ 9,078,000	9,304,859	2.03%
Oil and Gas Extraction (0.84%)			
Forbes Energy Services, Senior Secured Notes, 11%, due 2/15/15	\$ 2,904,000	2,634,625	0.58%
Geokinetics Holdings, Inc., Senior Secured Notes, 9.75%, due 12/15/14	\$ 1,342,000	1,185,160	0.26%
Total Oil and Gas Extraction		3,819,785	
Other Information Services (3.58%)			

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IRI Holdco (RW), LLC, Note Receivable, 8%, due 12/12/11 (5)	\$	16,379,105	16,379,105	3.58%
Other Professional, Scientific, and Technical Services (1.54%)				
MSX International, Inc., Senior Secured 2nd Lien Notes, 12.5%, due 4/1/12 - (UK/France/Germany) (5)	\$	8,209,000	7,021,322	1.54%
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing (3.39%)				
AGY Holding Corporation, Senior Secured 2nd Lien Notes, 11%, due 11/15/14	\$	18,025,000	15,526,014	3.39%
Scheduled Air Transportation (2.66%)				
United Air Lines, Inc., Aircraft Secured Mortgage (N508UA), 20%, due 8/25/16 (5)	\$	3,430,484	4,572,835	1.00%
United Air Lines, Inc., Aircraft Secured Mortgage (N510UA), 20%, due 9/26/16 (5)	\$	544,246	728,200	0.16%
United Air Lines, Inc., Aircraft Secured Mortgage (N512UA), 20%, due 10/26/16 (5)	\$	545,302	731,795	0.16%
United Air Lines, Inc., Aircraft Secured Mortgage (N530UA), 20%, due 11/25/13 (5)	\$	3,133,384	3,913,597	0.86%
United Air Lines, Inc., Aircraft Secured Mortgage (N536UA), 16%, due 8/21/14 (5)	\$	501,686	575,935	0.13%
United Air Lines, Inc., Aircraft Secured Mortgage (N545UA), 16%, due 7/17/15 (5)	\$	601,723	710,033	0.16%
United Air Lines, Inc., Aircraft Secured Mortgage (N585UA), 20%, due 10/25/16 (5)	\$	640,266	859,878	0.19%
Total Scheduled Air Transportation			12,092,273	

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Consolidated Statement of Investments (Unaudited) (Continued)

September 30, 2010

Showing Percentage of Total Cash and Investments of the Company

Investment	Principal Amount or Shares	Fair Value	Percent of Cash and Investments
Debt Investments (continued)			
Wired Telecommunications Carriers (3.12%)			
ITC^DeltaCom, Inc., Senior Secured Notes, 10.5%, due 4/1/16 (2), (5)	\$ 9,830,000	\$ 10,088,038	2.21%
Zayo Group, LLC, 1st Lien Senior Secured Notes, 10.25%, due 3/15/17 (5)	\$ 3,933,000	4,149,315	0.91%
Total Wired Telecommunications Carriers		14,237,353	
Wireless Telecommunications Carriers (except Satellite) (0.02%)			
Clearwire Communications, LLC, Senior Secured Notes, 12%, due 12/1/15	\$ 66,000	71,115	0.02%
Total Other Corporate Debt Securities (Cost \$133,896,128)		147,815,359	
Total Debt Investments (Cost \$265,004,504)		269,060,036	
Equity Securities (31.82%)			
Architectural, Engineering, and Related Services (4.72%)			
Alion Science & Technology Corporation, Warrants (3)	2,620	142,554	0.03%
ESP Holdings, Inc., 15% PIK, Preferred Stock (2), (5), (6)	40,618	5,852,709	1.28%
ESP Holdings, Inc., Common Stock (2), (3), (5), (6)	88,670	15,601,484	3.41%
Total Architectural, Engineering, and Related Services		21,596,747	
Data Processing, Hosting, and Related Services (0.56%)			
Anacomp, Inc., Class A Common Stock (2), (3), (5), (8)	1,253,969	2,576,906	0.56%
Depository Credit Intermediation (0.39%)			
Doral Financial Corporation, Common Stock (3)	1,077,794	1,789,138	0.39%
Industrial Machinery Manufacturing (0.54%)			
GSI Group, Inc., Common Stock (3), (5)	986,006	2,474,875	0.54%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing (0.00%)			
Precision Holdings, LLC, Class C Membership Interests (3), (5)	30	677	-

Nonferrous Metal (except Aluminum) Production and Processing (7.36%)

International Wire Group, Inc., Common Stock (2), (5), (6)	1,979,441	33,670,291	7.36%
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Other Amusement and Recreation Industries (0.05%)